



A PHI Company

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DELAWARE P.S.C.

New Castle Regional Office
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PSC DOCKET #

07-28

Gary R. Stockbridge
President - Delmarva Power Region

February 6, 2007

VIA HAND DELIVERY

Ms. Karen J. Nickerson
Delaware Public Service Commission
Cannon Building, Suite 100
861 Silver Lake Boulevard
Dover, DE 19904

RE: IN THE MATTER OF DELMARVA POWER & LIGHT COMPANY'S
BLUE PRINT FOR THE FUTURE PLAN FOR DEMAND SIDE
MANAGEMENT, ADVANCED METERING AND ENERGY
EFFICIENCY
Docket No. 07- (Filed on February 6, 2007)

Dear Ms. Nickerson:

Enclosed for filing please find an original and 10 copies of the application of Delmarva Power & Light Company to submit the Company's Comprehensive Demand-Side Management, Advanced Metering and Energy Efficiency Plan entitled the "Blueprint for the Future." By this Application, Delmarva requests that the Commission:

- Issue an order giving notice of the filing and requiring publication of such notice in newspapers of general circulation;
- Establish a Working Group / collaborative process to review and report on Delmarva's demand side management ("DSM") recommendations under the direction of a to-be-appointed Hearing Examiner;
- Establish a Working Group / collaborative process to review and report on Delmarva's Bill Stabilization Adjustment ("BSA") proposal; and,
- Direct the Working Group previously established in Regulation Docket No. 57 to review and report on Delmarva's AMI proposal.

Karen J. Nickerson

February 6, 2007

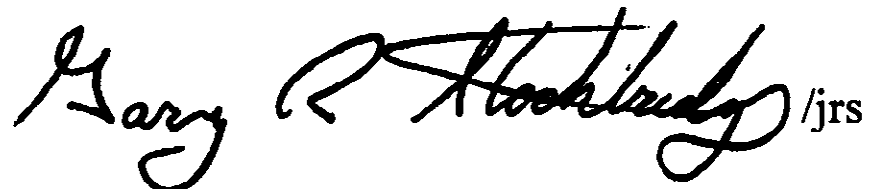
Page 2

- Task the Working Groups and Hearing Examiner(s) to, on an expedited basis but not later than August 1, 2007, review and report to the Commission on the three key components of Delmarva's Blueprint for the Future: DSM; AMI; and, BSA.
- Issue a final order not later than September 1, 2007, approving all cost recovery mechanisms proposed, approving the proposed Net Energy Metering Tariff and approving the BSA with an effective date of November 1, 2007.

This filing represents a commitment by the Company to move our Delaware customers into the future. Last year we started developing tools for our customers with the investment of over \$1 million in web based software designed to give customers more information about how they use energy. Our "Blueprint for the Future" takes a quantum leap forward by investing capital and manpower towards implementing the latest technology designed to give customers the ability to manage their energy costs and ultimately drive reliability up across our system. We are equally committed to moving ahead in promoting and using renewable energy alternatives in all aspects of our business. It is an exciting time and I look forward to working with the stakeholders in Delaware and the surrounding region in making our customers less energy dependent, helping to solve the nations growing energy problems.

Please contact me at the number above, or Gary B. Cohen at (302) 454-4830, should you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary R. Stockbridge", followed by the initials "/jrs".

Gary R. Stockbridge

cc: Chairperson Arnetta McRae
Commissioner Joann Conaway
Commissioner Jeffrey Clark
Commissioner Jaymes B. Lester
Commissioner Dallas Winslow
Janis Dillard
James McC. Geddes, Esquire

G. Arthur Padmore
Bruce H. Burcat
Anthony C. Wilson, Esquire
William R. Moore, Jr.
Glenn A. Moore
Gary B. Cohen

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

RECEIVED
07 FEB -6 PM 3:04
DELAWARE P.S.C.

IN THE MATTER OF DELMARVA
POWER & LIGHT COMPANY'S
BLUEPRINT FOR THE FUTURE PLAN
FOR DEMAND SIDE MANAGEMENT,
ADVANCED METERING AND ENERGY
EFFICIENCY (Opened Feb. __, 2007)

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PSC Docket No. ____

07-28

BLUEPRINT FOR THE FUTURE
APPLICATION AND PLAN

Dated: February 6, 2007

Delmarva Power & Light Company
800 King Street, 5th Floor
P.O. Box 231
Wilmington, DE 19899-0231

I. INTRODUCTION

Delmarva Power & Light Company ("Delmarva", "Delmarva Power" or the "Company"),¹ hereby files with the Delaware Public Service Commission ("Commission" or "DPSC") the Company's comprehensive demand-side management, advanced metering and energy efficiency plan entitled the "Blueprint for the Future" Plan ("Blueprint for the Future"). With this filing Delmarva is proposing to implement the Company's Blueprint for the Future Plan, attached as Appendix A, in Delaware. Delmarva is seeking input from the Commission and interested parties on the Blueprint for the Future. Delmarva petitions the Commission to take immediate action, to the extent required by law or regulation, on the Blueprint for the Future. Specifically, Delmarva requests that the Commission:

- Issue an order giving notice of the filing and requiring publication of such notice in newspapers of general circulation;²
- Establish a Working Group/collaborative process to review and report on Delmarva's demand side management ("DSM") recommendations under the direction of a to-be-appointed Hearing Examiner;
- Establish a Working Group/collaborative process to review and report on Delmarva's Bill Stabilization Adjustment ("BSA") proposal; and,
- Direct the Working Group previously established in Regulation Docket No. 57 to review and report on Delmarva's AMI proposal.³
- Task the Working Groups and Hearing Examiner(s) to, on an expedited basis but not later than August 1, 2007, review and report to the Commission on the

¹ Delmarva is part of the Pepco Holdings, Inc. ("PHI") family of companies. Delmarva is a wholly owned subsidiary of Conectiv, a Delaware corporation, which is in turn a wholly owned subsidiary of PHI, a Delaware corporation. PHI is an energy holding company engaged in regulated utility operations and sale of competitive energy products and services to residential and commercial customers. PHI companies deliver electricity and natural gas to more than 1.8 million customers in Delaware, the District of Columbia, Maryland, New Jersey and Virginia, making it one of the largest electricity delivery companies in the mid-Atlantic region. PHI's family of energy-related businesses includes: is regulated electric utility delivering electricity to more than 725,000 customers in Washington, D.C., and its Maryland suburbs. Delmarva is a regulated utility with more than 500,000 electric delivery customers in Delaware and the Delmarva Peninsula and about 118,000 natural gas delivery customers in northern Delaware. Atlantic City Electric Company is a regulated electric utility serving more than 500,000 customers in southern New Jersey.

² A proposed Order and Notice is attached as Appendix B, Draft Order and Notice.

³ In the Matter of the Commission's Combined Consideration of the Utilization of Advanced Metering Technologies Under 26 Del. C. §1008(b)(1)b and the Implementation of the Federal Standards for Time Based Metering and time Based Rate Schedules Under 16 U.S.C. §2621(d)(14) and 2625(i) (Opened May 9, 2006). PSC Regulation Docket No. 57.

three key components of Delmarva's Blueprint for the Future: DSM; AMI; and, BSA.

- Issue a final order not later than September 1, 2007, approving all cost recovery mechanisms proposed, approving the proposed Net Energy Metering Tariff and approving the BSA with an effective date of November 1, 2007.

The Blueprint for the Future, which ultimately will be rolled out across all PHI utilities and their jurisdictions, is the PHI vision for the future that is designed, among other things, to better enable customers to manage their energy bills through energy efficiency programs and the ability to see and react to price signals in the market, placing significant downward pressure on regional electricity wholesale capacity and energy prices. The purpose of this Blueprint for the Future is to set forth Delmarva Power's comprehensive vision of the future and for taking Delmarva and Delmarva's Delaware customers forward into that future – a future where DSM programs, both energy efficiency and demand response, are enabled by new technology investments to best meet Delmarva's Delaware customer energy needs. A recent study, prepared by The Brattle Group and sponsored by the five Mid-Atlantic public utility commissions and PJM Interconnection, has found that a modest reduction in electricity use during peak hours would reduce energy prices by at least \$57 million to \$182 million annually in the Mid-Atlantic region. The study examined the effects of reducing electricity use by three percent during the highest use hours for five utility areas. It notes that, "[m]ore widespread participation and deeper curtailments would result in even greater price impacts." This study also shows the importance of demand response to a state like Delaware and further supports the Company's recent IRP filing and the need for the Commission to support this filing.⁴

For the past decade, the State of Delaware's energy future has been the focus of Executive Task Forces, Legislative Committees and regulatory action collectively and individually by the Governor, the Legislature, U.S. Senator Carper, the Sustainable Energy Utility ("SEU"), Commission, Delaware's Colleges and Universities, and citizens. Many concerned and interested parties have attempted to study, develop and promote energy efficiency and demand side response programs, including: the State of Delaware with the State Climate Change Action Plan; the Governor's Energy Task Force; SEU Task Force; University of Delaware Center for Energy and Environmental Policy; Delaware Department of Natural Resources; the Delaware House and Senate,⁵ and Delmarva. Additionally, the Delaware Public Service Commission, in response to legislation and/or legislative directives has established

⁴ See Bratton Report, Quantifying Demand Response Benefits in PJM (January 29, 2007).

⁵ See Renewable Energy Portfolio Standards Act, 26 Del. C. C. 351 – 363. See Also, The Electric Utility Retail Customer Supply Act of 2006. 26 Del. C. § 1007. The Electric Utility Retail Customer Supply Act of 2006 ("EURSA" or the "Act"), passed by the Delaware General Assembly in the Spring of 2006, mandated that the Company prepare an Integrated Resource Plan ("IRP") and evaluate various procurement strategies for Standard Offer Service ("SOS") energy supply. EURSA required Delmarva to conduct a competitive request for proposal ("RFP") process to consider long term commitments with third party resource suppliers.

Delmarva Power & Light Company
In the Matter of Delmarva's Blueprint for the Future Plan
Filed February 6, 2007

proceedings on Renewable Energy Portfolio Standards,⁶ Advanced Metering,⁷ and Integrated Resources Planning⁸ – which includes a highly controversial RFP proposal which, if adopted, would force Delmarva to procure 400 MWs of new generating capacity to serve SOS customers.⁹

Delmarva Power, in this Blueprint for the Future, is proposing to the Commission and the customers of Delaware a full and comprehensive complement of energy efficiency and demand side management programs. Each program is specifically set forth in the Blueprint for the Future outlined in Appendix A.

1. Applicant

Delmarva, the Applicant in this matter, is located at:

Delmarva Power & Light Company,
800 King Street, P.O. Box 231,
Wilmington, Delaware 19899

⁶ In the Matter of the Adoption of Rules and Procedures to Implement the Renewable Energy Portfolio standards Act, 26 Del. C. § 351-363 As Applied to Retail Electricity Suppliers (Opened August 23, 2005). PSC Regulation Docket No. 56,

⁷ In the Matter of the Commission's Combined Consideration of the Utilization of Advanced Metering Technologies Under 26 Del. C. § 1008(b)(1)b and the Implementation of the Federal Standards for Time Based Metering and time Based Rate Schedules Under 16 U.S.C. 2621(d)(14) and 2625(i) (Opened May 9, 2006). PSC Regulation Docket No. 57.

⁸ In the Matter of the Integrated Resources Planning for the Provision of Standard Offer Supply Service By Delmarva Power & Light Under 26 Del. C. § 1007(c) and (d): Review of Initial Resource Plan Submitted December 1, 2006 (Opened January 23, 2007). PSC Docket No. 07-20.

⁹ In the Matter of Integrated Resource Planning for the Provision of Standard Offer Service Supply by Delmarva Power & Light Company Under 26 Del. C. § 1007(c) and (d): Review and Approval of the Request for Proposals for the Construction of New Generation Under 26 Del. C. § 1007(d) (Opened July 25, 2006). PSC Docket No. 06-241.

2. Communications

All communications and notices with respect to this application should be made to:

<p>Gary Cohen Mgr, Regulatory Affairs Delmarva Power & Light Company Regulatory Affairs P.O. Box 9239 Newark, DE 19714</p> <p>With a copy to:</p> <p>Glenn Moore, Vice President Delmarva Power Region Delmarva Power & Light Company Regulatory Affairs P.O. Box 9239 Newark, DE 19714</p>	<p>Anthony C. Wilson Associate General Counsel Delmarva Power & Light Company Legal Services Group 800 King Street, 5th Floor P.O. Box 231 Wilmington, DE 19899</p> <p>With a copy to:</p> <p>Steven Sunderhauf Regulatory Affairs Pepco Holdings, Inc. 701 9th Street, NW Washington, DC 20068</p>
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II. OVERVIEW AND SUMMARY

1. Energy Efficiency To Assist Customers In Managing The Rising Cost Of Energy

Over the past several years the rising cost of energy across the nation has hurt Delmarva's customers, who are often left with limited ability to lessen their energy use to reduce the added burden of higher energy costs. The Company has talked with its customers and attempted to provide them with options to more efficiently manage their energy use. Last year PHI and Delmarva launched the "Energy Know How" campaign. PHI and Delmarva invested over \$1,000,000 to implement state of the art energy auditing software. This investment now enables all of Delmarva's customers to go on the internet and view data about their monthly bills and better understand how they use energy and what changes might reduce their overall costs. This was a good first step, but much more needs to be done to allow customers to further control their bills. The Blueprint is Delmarva's proposal to take Delaware customers into the future.

This filing is the next step in answering customer concerns by giving customers more robust energy efficiency tools to reduce electricity consumption and demand response programs that will help to change when customers use energy in an effort to reduce peak demands, driving total electricity costs down for the state. The data and communications capabilities inherent in

the advanced metering proposal that the Company has set forth will give each customer a platform upon which to build a number of programs aimed at managing overall energy costs. Delmarva envisions that some day the new technology will even have customers' appliances receive and react to real time energy prices. Some of these technologies will take time and need to be tested, but many are ready to roll out immediately.

Collaborative efforts have served Delmarva's customers well through the many working group processes that the Company, Public Service Commission, Department of the Public Advocates office and other interested parties have worked on through the years. As the Company looks at the key components of this filing: advanced metering, energy efficiency and demand response, bill stabilization proposals, and renewable resources, each will require key stakeholders across the state and at times across the region to come together and work collaboratively.

The Company is of the view that this same kind of joint effort will be important when implementing statewide energy efficiency and demand response programs. Working with partners like the SEU (which was recently established and supported by key legislators in the state) will help us identify best practices in the energy efficiency and conservation services arena. Certainly the Delaware Energy Office will be a valuable partner when working on the design of the DSM and the energy efficiency programs. The customer's experiences in administering programs such as the Delaware Energy Answers Program, the Delaware Green Energy Program, the Delaware Energy star program, and other energy related programs, will be invaluable when establishing new programs. A collaborative effort for Company programs will aid the state in developing other energy efficiency programs for other fuel sources. The Company proposes a Working Group including Staff, the Public Advocate, representatives from SEU, and the State Energy Office, to move ahead on the energy efficiency efforts. This group should begin meeting in March, using the details of this filing as a starting point. Not only will the group verify the proposed programs suggested by the Company are the right ones, but they can also work to align the efforts of each group to provide a comprehensive statewide effort. PHI is also joining the National Action Plan on Energy Efficiency Coalition, a broad-based group of utilities, environmental advocacy groups, state utility commissions and others working together on environmental issues.

This filing is a natural next step from Delmarva's recently filed detailed Integrated Resource Plan. It is meant to move forward the implementation of many of the ideas coming out of the planning process. It is also in step with the Company's vision of the future, as articulated in recent "State of the Company" presentations where the Company referred to the "Utility of the Future." Across PHI the corporation is employing a large amount of resources to take the Company forward in this vision of the future, and it will be one of the most significant initiatives we have had in many years. Delmarva believes this effort will take the Company and the states PHI serves into the forefront in enabling customers, specifically Delmarva's customers, to control energy costs, improve environmental conditions and also provide the Company with additional tools to make dramatic advances in reliability and customer service.

2. Delmarva's Blueprint For The Future

Delmarva's vision of the future involves a substantial investment in new technologies such as advanced meter infrastructure, distribution automation, smart thermostats linked to the AMI system, and an improved communications network. This vision will be met by designing and implementing these technologies and processes across the regions Delmarva serves. In Appendix A, the Company provides details on the components of this plan. Below is a summary of proposed programs.

A. Demand Side Management and Renewable Resources

1. DSM Programs

In addition to the many technology platforms outlined in the Blueprint, the Company has proposed a number of programs for Delmarva's customers. These programs will be refined and possibly expanded through Delmarva's proposed collaborative working groups. Delmarva has programs that fall into three categories: Energy Efficiency, Demand Response and Renewable Energy. Below is a snapshot of the residential and commercial programs the Company is proposing.

<u>Energy Efficiency</u>	<u>Demand Response</u>	<u>Renewable Energy</u>
Home Performance	Smart Thermostat	Renewable Portfolio
HVAC	Critical Peak Pricing	Green Choice
Lighting	Internet Demand Response	Net Energy Metering
Building Commissioning		
Prescriptive Audits		
Custom Audits		

These programs, coupled with the technology investments listed, will provide the tools Delmarva's customers and Delmarva needs to move into the future.

2. Renewable Resources

Delmarva's IRP clearly pointed to the need for a moderate amount of renewable resources in Delmarva's portfolio over the next 10 years. As the Company moves forward in its efforts to secure needed renewable resources for Delmarva's customers, the Company sees an opportunity to help promote and gain support from Delmarva's customers for these often more costly energy sources. The Company believes that potential modifications to Delmarva's renewable portfolio legislation, the existing standard offer service bid process, and/or the implementation of green choice programs, where customers make the choice to support renewable energy supplies for the customer's needs, are a few ways to meet Delmarva's needs. Working with the Delaware Energy Office, the SEU group, Energy Suppliers, the Public

Advocate and the PSC, the Company can discuss options and ideas to encourage renewable generation resources.

B. Advanced Metering and Related Technology

1. AMI Infrastructure

AMI will provide customers and the utility with more detailed and timely information on energy use. The Company will replace approximately 430,000 existing gas and electric meters¹⁰ with new computer imbedded intelligent meters. These intelligent meters will ultimately allow the Company to collect and transmit customer information such as billing data, usage patterns, voltage levels and outage information, and ultimately send information to Delmarva's computer systems, where the Company can process it and use it to better serve customers. This system could also be used to communicate directly to customers' thermostats and appliances and control the operation of this equipment based on energy prices. In the future, this same system will allow Delmarva to send information to customers, via a display in the customer's homes or to an internet site, the price of electricity – either real time prices or day ahead pricing. Eventually appliances will be in homes and businesses that are able to directly respond to energy prices.

Most recently, the Company participated in a working group in Docket No. 57 and worked collaboratively with the Division of the Public Advocate and the Commission Staff to prepare a report on Advance Metering, which was submitted to the Commission on November 15, 2006. Much of this joint report will be critical to helping establish the framework for the Advance Metering Infrastructure system. The Company proposes that a working group, comprised of the same stakeholders, work with Delmarva to develop the implementation plan for full scale AMI implementation. Timelines for starting work were laid out in Docket 57, and the Company proposes to maintain this timeline going forward to plan the implementation of a full scale roll out.

In addition to the direct customer benefits, the Company expect several operating efficiencies resulting from AMI technology, such as the ability to remotely turn customers on/off (an advantage in areas with high seasonal occupancy), theft detection and, as the Company will be able to monitor (as opposed to estimate) actual load, more accurate transformer and circuit wire sizing. Customer restoration will be improved due to more detailed information around the number and location of customers out of service coming from the advanced meters. Not only will this allow us to quickly respond, but it will also help us better pinpoint the location of the problem. Delmarva will share with the working group with a more detailed business case upon full scale implementation.

2. Smart Thermostat Technology

Another optional technology the Company is recommending is the implementation of Smart Thermostats for residential and commercial customers. These will not only have the obvious benefit of allowing customers to precisely control their heating and air conditioning use,

¹⁰ 303,000 electric meters, 126,000 gas meters.

but also will provide a link back to the utility, so that during peak times the Company will be able to control the largest energy using devices in homes. This is an evolution of the "Energy for Tomorrow" program currently in place in Delaware.

3. Customer Information Systems Enhancements

Within PHI there are two CIS systems and a variety of meter data management systems. Two new PHI-wide systems, one for meter management and a second for customer information, will allow us to better use the greatly increased information coming from the automated meter reading system and new automated field devices. Although the Company is not proposing in this filing that it embark on the updating of Delmarva's CIS, the Company does recognize that, eventually, the Company will be limited in the use of some technology, such as advanced metering, by the current capabilities of the system. The Company does plan on implementing a new meter management system as part of this effort.

4. AMI Related Communications Network Upgrades

Delmarva will improve the Company's communications network to handle the increased flow of customer and distribution system data to/from Delmarva's operational centers. The Company is of the view that a fixed communications network provides the most robust and secure communications platform for AMI and DA. This network would take information to Delmarva's substations; from there it would travel over a fiber network to Delmarva's main offices. While many of Delmarva's transmission substations are served by fiber, the Company has plans to install fiber at select Delmarva distribution substations. It is important to leverage this network across all of Delmarva's technology investments, as it will greatly improve the business case for all applications if they share a common communications network.

5. Distribution Automation

Distributed Automation ("DA") is a technology designed to lower the number and length of electric system outages. The Company will install a number of intelligent relay devices, circuit switching devices, advanced protective devices and computer programs to more accurately detect and determine where problems exist on the network. In many cases, once problems are identified and located, a new technology will automatically isolate the problem areas and reconfigure the network to provide electric service to customers not impacted within the problem area. This will result in fewer outages, faster restoration and, other operating efficiencies. Although not part of this filing, because of the linkage to the proposed technology changes, we plan on following up with a distribution automation filing in the near future as it is very interrelated to the advanced meters and enhanced communications network.

C. Electric Vehicle and Distributed Generation

1. Electric Vehicles

Delmarva Power anticipates a surge in growth of electric powered vehicles in Delaware in the near term, as a result of General Motors, Toyota and other vehicle manufacturers bringing plug-in hybrids and electric drive vehicles to the market.

Delaware Customers will be able to recharge their vehicles via power metered through a second meter installed for the Customer that limits recharging to the hours between midnight and 6:00 a.m. The Company anticipates offering a new Electric Vehicle tariff with rates similar to the rates currently available in the Residential Time-of-Use, Super-Off-Peak tariff; the Customer charge is \$11.32 per month and the cost per kWh equates to less than 5 cents per kWh.

The proposed tariff, which is not included with this filing, would be implemented once advanced metering was completed to enable the time of use component of this application.

2. Net Energy Metering

Net Energy Metering is used by the Company to enable customer sited generation on our system. It is a good tool to enable renewable energy resources for our customers. We believe that our advanced metering will enhance our ability to encourage Net Energy Metering customers to provide added generation during peak periods, and receive larger credits as a result.

Senate Bill No. 8 is currently pending Legislative approval. This Bill suggests enhancements to the Net Energy Metering tariff for all Delaware Electric Power Customers. Delmarva Power feels the increased maximum system size moving from 25 kW to 2 MWs is a step in the right direction to encourage more Delmarva Power Customers to adopt renewable generation systems including wind, photovoltaic solar or hydro power.

Red-line and revised versions of Leaf Nos. 102 and 104 are included in Appendix A. These proposed changes move towards a more progressive tariff that enables additional renewable on-site generation to be built in Delaware.

D. Cost Recovery Proposals

The deployment of AMI technology may require the removal and disposition of existing meters that are not fully depreciated and may require replacement of, or significant modification to, existing meter reading, communications, and customer billing and information infrastructure and to encourage the implementation of this new technology the Commission should adopt ratemaking policies that remove a utility's disincentive toward demand-side resources that reduce throughput; provide for timely cost recovery of prudently incurred AMI expenditures, including accelerated recovery of investment in existing metering infrastructure, in order to provide cash flow to help finance new AMI deployment; and provide depreciation lives for AMI that take into account the speed and nature of change in metering technology.¹¹

1. Bill Stabilization Mechanism

The Company is proposing a BSA, a billing adjustment to be applied on a quarterly basis for all customers. The initial and most visible benefit of the BSA is to reduce the volatility in the distribution charge on customer bills. In severe weather in which customers face sharply higher bills, the BSA will reduce the payments that would otherwise be due. Conversely under the BSA, customers will pay more for delivery in mild weather than they would otherwise, but their overall bills will still be lower compared to what they would be with normal weather. In short, customers' electric distribution bill variability will decrease somewhat.

The BSA is intended to stabilize revenues fluctuations resulting from unanticipated changes in usage, and ensures that the Company only recovers the Commission-approved level of distribution costs. In essence, the BSA provides for decreases in delivery rates if actual revenues per customer are above the Commission approved level, and it provides for increases in delivery rates if actual revenues per customer are below the Commission approved level.

The BSA will facilitate the Company's promotion demand side management measures. In this filing, the Company is proposing development of electric energy efficiency measures and demand response services for all Delmarva electric distribution customers, as part of an overall response to the recent increases in supply prices. Demand-side management programs reduce sales and, consequently, revenues and fixed cost recovery decline. This creates a disincentive for the utility to consider demand-side resources. The existing rate structure provides strong incentives for utilities to sell as much electricity as possible in order to maximize profit. The BSA removes the incentive for the Company to maximize its sales in order to benefit shareholders. Without the BSA, the Company's shareholders benefit from each additional kWh delivered. With the BSA, the link between increased sales and profits is broken. The Company's interest in helping its customers use energy wisely and efficiently is no longer at seeming odds with the interests of shareholders. By decoupling the Company's revenues from changes in the volume of electricity delivered to customers, the adoption of the BSA aligns the Company's interests with the interests of the customer. The adoption of the BSA mechanism is a

¹¹ See NARUC Proposed Resolution supporting this approach.

critical component of the Company's overall proposal to institute conservation programs to help customers meet the challenges of the current high costs of energy, without conflicting with the interests of shareholders.

In Delmarva's natural gas base rate case, the Company proposed a bill stabilization plan for Delmarva's gas customers.¹² With this filing The Company has proposed the same for Delmarva's electric customers. Delmarva has made a similar proposal in its Maryland electric distribution base rate case filing. Based upon input to date in Delmarva's gas filing, the Company understands that there is an interest in working this issue collaboratively with the other gas utility in the state; therefore, the Company proposes to develop the final the gas and electric proposals together in conjunction with Chesapeake Utilities. In this manner, all of the regulated Delaware electric and gas distribution entities will move forward together on this effort, with common philosophies.

2. DSM Surcharge Proposal

Delmarva requests the Commission establish a DSM electric distribution surcharge mechanism that would recover all DSM expenditures, other than smart thermostat related costs, over a five year period. Program costs would be allocated to each rate class eligible to participate in each implemented program. This surcharge mechanism would be similar to the DSM surcharge mechanism that existed in the 1990s for Delmarva in Maryland. Delmarva's annual carrying cost of any unrecovered expenditures would equal the Company's approved rate of return.

The surcharge amount would be established by an annual Delmarva DSM surcharge adjustment filing, subject to Commission approval, based upon the forecast level of expenditures for the next program year and any required "true-up" adjustments for over or under collections from the prior year. If Delmarva's recommended DSM programs were implemented, the estimated maximum monthly surcharge for residential customers would be \$0.001149 per kWh and \$0.000395 per kWh for nonresidential customers.

3. AMI Adjustment Mechanism

Delmarva requests that a base rate electric and gas adjustment mechanism ("AMI Adjustment Mechanism") be adopted to recover the capital costs associated with the installation of smart thermostats and the AMI on a timely basis between base distribution rate cases. Specifically the AMI Adjustment Mechanism would be set annually on the basis of total project expenditures during the previous 12 month period. Delmarva proposes to net any utility cost savings resulting from AMI deployment from the cost recovery sought each year. Similar to other utility investments, the amortization period would be identical to expected equipment life -- for these expenditures the recommended recovery period is 15 years, due the accelerating obsolescence rate of new technology.

¹² In the Matter of the Application of Delmarva Power & Light Company for a Change in Natural Gas Base Rates, PSC Docket No. 06-284 (Filed August 31, 2006).

Delmarva requests that the cost of retiring all existing meters and fully amortizing those costs be recovered through the AMI Adjustment Mechanism on an accelerated basis, not to exceed three to five years. Delmarva's annual cost of any unrecovered expenditures would equal the Company approved rate of return. The amount of the AMI Adjustment Mechanism would vary by customer class, reflecting any AMI or smart thermostat cost differences. If the Commission approves the AMI Adjustment Mechanism, the monthly bill impact on customers after full AMI deployment is estimated to be \$6.00 for each electric and gas customer. These costs will be offset by energy cost reductions, utility cost reductions and service quality improvements.

An alternative utility cost recovery approach could be obtained through electric base rate case filings; however, this mechanism has the significant disadvantage of delaying the timing of Delmarva's cost recovery for a significant capital cost project and having a potentially adverse impact upon the Company's cost of capital.

E. Regional Consistency

Today's filing represents a significant resource commitment and the Company is confident that the initiatives will yield many benefits for Delmarva's customers. In order to best move forward with these initiatives, the Company feels that it is essential to proceed in a collaborative fashion with many of the key stakeholders. From the beginning the Company has indicated that the energy issues in the State cannot be solved by any one group, or any one proceeding alone, but will require all stakeholders to work together on a solution.

The Company proposes that a regional group led by a Company Executive and a Commissioner, and made up of high level representation from each of the state commissions where PHI operates, should be formed to ensure the programs developed to support advance metering, energy efficiency, demand response and renewable energy best meet the needs of Delmarva's consumers throughout the Company's service territory. The Working Group can do this by working toward consistent design and guiding principles as programs such as these are laid out. The Company hopes this group will be able to bring together regulatory and state agency representatives from across the region with a commitment to work together for the benefit of all customers served by PHI utilities.

III. CONCLUSION

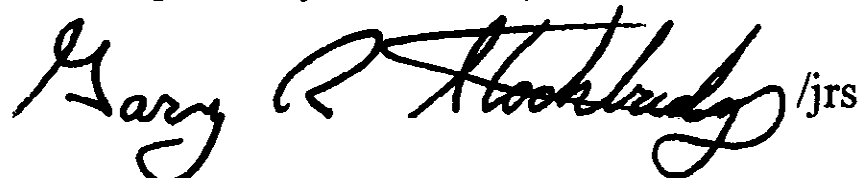
The Company requests the Commission issue an order requiring publication of notice announcing Delmarva's filing. In addition, we request the Commission assign this to a Hearing Examiner, who will use a series of working groups to review the components of this bundled package. We believe it is important that, despite the need to have several working groups address the separate components of the filing, a single joint working group coordinate the various teams to assure continued linkage of the components.

Delmarva has packaged the various components of this filing together for a reason: we believe they are all critical components which, for the most part, should be considered as a package for implementation. It is our hope that although we do not expect any pre-approval of the substantial investments we are about to make, that the Commission rules in support of moving the Company forward in this direction. In addition, the various cost recovery mechanisms and stabilization components would need to be approved prior to moving forward.

The Working Groups are requested to complete their review and make recommendations to the Commission by August 1, 2007. Delmarva requests that the Commission issue a final order not later than September 1, 2007. Thereafter, Delmarva would begin working towards implementation in the same collaborative manner as the review was conducted, keeping all stakeholders engaged along the way.

Finally, Delmarva requests that the Commission grant such other relief as necessary to effectively implement the Blueprint for the Future Plan.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Gary R. Stockbridge", followed by a forward slash and the letters "jrs".

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Delmarva Power & Light Company
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF DELMARVA
POWER & LIGHT COMPANY'S
BLUEPRINT FOR THE FUTURE PLAN
FOR DEMAND SIDE MANAGEMENT,
ADVANCED METERING AND ENERGY
EFFICIENCY (Opened Feb. __, 2007)**

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07-28

PSC Docket No. _____

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APPENDIX

BLUEPRINT FOR THE FUTURE PLAN

Dated: February 6, 2007

**Delmarva Power & Light Company
800 King Street, 5th Floor
P.O. Box 231
Wilmington, DE 19899-0231**

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Delmarva Power & Light Company
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Filed February 6, 2007

APPENDIX A

BLUEPRINT FOR THE FUTURE PLAN

INTRODUCTION

To summarize the application, the Blueprint for the Future, which ultimately will be rolled out across all PHI utilities and their jurisdictions, is the PHI vision for the future that is designed, among other things, to better enable customers to manage their energy bills through energy efficiency programs and the ability to see and react to price signals in the market, placing significant downward pressure on regional electricity wholesale capacity and energy prices. The purpose of this Blueprint for the Future is to set forth Delmarva Power's comprehensive vision of the future and for taking Delmarva and Delmarva's Delaware customers forward into that future – a future where DSM programs, both energy efficiency and demand response, are enabled by new technology investments to best meet Delmarva's Delaware customer energy needs.

The Company requests the Commission issue an order requiring publication of notice announcing Delmarva's UOF Application and Plan filing. In addition, we request the Commission assign this to a Hearing Examiner, who will use a series of working groups to review the components of this bundled package. We believe it is important that, despite the need to have several working groups address the separate components of the filing, a single joint working group coordinate the various teams, to assure continued linkage of the components.

Delmarva has packaged the various components of this filing together for a reason: we believe they are all critical components which, for the most part, should be considered as a package for implementation. It is our hope that, although we do not expect any pre-approval of the substantial investments we are about to make, the Commission rules in support of moving the Company forward in this direction. In addition, the various cost recovery mechanisms and stabilization components would need to be approved prior to moving forward.

Today's filing represents a significant resource commitment and the Company is confident that the initiatives will yield many benefits for Delmarva's customers. In order to best move forward with these initiatives, the Company feels that it is essential to proceed in a collaborative fashion with many of the key stakeholders. From the beginning the Company has indicated that the energy issues in the State cannot be solved by any one group, or any one proceeding alone, but will require all stakeholders to work together on a solution.

The Company proposes that a regional group, led by a Company Executive and a Commissioner, and made up of high level representation from each of the state commissions where PHI operates, should be formed to ensure the programs developed to support advance metering, energy efficiency, demand response and renewable energy best meet the needs of Delmarva's consumers throughout the Company's service territory. The Working Group can do this by working toward consistent design and guiding principles, as programs such as these are laid out. The Company hopes this group will be able to bring together regulatory and state agency representatives from across the region with a commitment to work together for the benefit of all customers served by PHI utilities.

Delmarva Power & Light Company
Appendix, In the Matter of Delmarva's Blueprint for the Future Plan
Filed February 6, 2007

The Working Groups are requested to complete their review and make recommendations to the Commission by August 1, 2007. Delmarva requests that the Commission issue a final order not later than September 1, 2007. Thereafter, Delmarva would begin working towards implementation in the same collaborative manner as the review was conducted, keeping all stakeholders engaged along the way.

Finally, Delmarva requests that the Commission grant such other relief as necessary to effectively implement the Blueprint for the Future Plan.

Respectfully submitted,

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BLUEPRINT FOR THE FUTURE PLAN

**PROPOSED DEMAND-SIDE MANAGEMENT PROGRAMS (DSM),
AND ADVANCED METERING INFRASTRUCTURE (AMI)**

I. Proposed Demand-Side Management Programs

1. IRP Screening and the Selection of DSM Programs

Delmarva Power recently filed its 2007 through 2016 Integrated Resource Plan ("IRP")¹ with the Delaware Public Service Commission ("DPSC" or "Commission") on December 1, 2006 as part of Docket No. 06-241.² Supporting documentation for the plan was submitted by the Company to the Commission on January 8, 2007. Delmarva, together with its IRP consultant, ICF, conducted a rigorous screening of demand-side management ("DSM") options as part of the least-cost supply mix for Delmarva over the 2007-2016 time periods.

The IRP screening of DSM included the following steps:

- 1) an initial identification of commercially available technologies applicable to the Delaware electricity market;
- 2) an examination of existing Delaware electricity market characteristics;
- 3) development of Delaware specific energy and demand measure impacts;
- 4) estimation of measure costs;
- 5) cost-effectiveness screening using the Total Resource Cost ("TRC") Test;
- 6) DSM measures having a favorable benefit cost ratio were then passed to ICF's Integrated Planning Model ("IPM") for potential selection as the least-cost mix of future supply; and,
- 7) a market potential estimate to project the maximum achievable energy and demand reductions from each selected measure.

A number of DSM measures were selected as part of the least-cost supply mix for the 2007-2016 time periods. Based upon the DSM measures selected through the IRP, Delmarva Power has developed eleven recommended DSM programs that could be implemented by Delmarva beginning in 2007 for an initial three year period, subject to Commission approval. During the third year of program operations, the Company proposes to develop

¹ In the Matter of the Integrated Resources Planning for the Provision of Standard Offer Supply Service By Delmarva Power & Light Under 26 Del. C. § 1007(c) and (d): Review of Initial Resource Plan Submitted December 1, 2006 (Opened January 23, 2007). PSC Docket No. 07-20.

² In the Matter of Integrated Resource Planning for the Provision of Standard Offer Service Supply by Delmarva Power & Light Company Under 26 Del. C. § 1007(c) and (d): Review and Approval of the Request for Proposals for the Construction of New Generation Under 26 Del. C. § 1007(d) (Opened July 25, 2006). PSC Docket No. 06-241.

recommendations about the characteristics of future DSM programs for the next three year period and to submit that DSM plan to the Commission for its approval. In developing its proposed programs, the Company has considered the magnitude of achievable energy and demand reductions and has looked to create electricity savings opportunities for all customer classes, but with a particular program emphasis for Delaware residential and small commercial customers.

Two recommended programs were not screened through the IRP process, the Energy Awareness Campaign, and the Non-Residential Internet Demand Response Platform ("Demand Response Platform"). Typically, Energy Awareness Campaign's are not subject to traditional utility cost-effectiveness screening due to the difficulty of estimating resulting electric demand and energy reductions. The Demand Response Internet Platform was not screened through the IRP due to the difficulty of estimating peak electricity demand reductions for the program. However, Delmarva recommends implementing the Demand Response Internet Platform as a low-cost method of encouraging the participation of larger Delaware electricity customers in PJM demand response programs designed to encourage customers to reduce their electricity load during peak load periods.

2. Advanced Metering Infrastructure

An important element supporting Delmarva's recommended demand response programs is the deployment of an advanced metering system capable of providing hourly energy consumption data for all customers that can support voluntary pricing options whereby electricity prices for customers more closely track wholesale electric energy and capacity prices. In this manner, customers will be incented to reduce their electricity consumption during high priced periods. In addition to helping participating customers control their electricity bills, the optional rate structures will help to place significant downward pressure³ on regional wholesale electric energy and capacity prices during peak load periods, thereby reducing future electricity supply costs for all Delaware consumers.⁴

³ A recent study issued on January 29, 2007, entitled "Quantifying Demand Response Benefits in PJM," which was prepared by The Brattle Group on behalf of the PJM Interconnection, LLC and the Mid-Atlantic Distributed Resources Initiative ("MADRI"), has quantified the significant reduction in regional wholesale electricity market prices that occur as a result of a 3 percent reduction in electricity load. The study found that curtailing 3 percent of the BGE, Delmarva, Peco, Pepco, and PSEG load during the highest 133 to 152 load hours would reduce energy prices during those hours by 5 to 8 percent or \$8 to \$ 25 per MWh. The weighted average in PJM Locational Marginal Prices for Delmarva under normal weather conditions was estimated to be 11.9 percent – the highest percentage of any PJM Zone examined – providing net benefits to Delmarva consumers of \$10.6 million annually. The price benefits for the MADRI states are estimated to be \$101.9 million annually under normal weather conditions for a three percent reduction.

⁴ The Commission and interested parties have engaged in discussions on implementing an AMI pilot in Delaware. See In the Matter of the Commission's Combined Consideration of the Utilization of Advanced Metering Technologies Under 26 Del. C. 1008(b)(1)b and the Implementation of the Federal Standards for Time Based Metering and time Based Rate Schedules Under 16 U.S.C. 2621(d)(14) and 2625(i) (Opened May 9, 2006). PSC Regulation Docket No. 57. Delmarva, with Commission authorization, now proposes to go beyond a pilot and to begin the staged roll out of AMI for the Company's Delaware customers.

Delmarva has linked the rollout of its proposed remotely controllable smart thermostat deployment to coincide with the deployment of its proposed advanced metering system for the following reasons: First, the advanced metering system and the smart thermostats can be designed in a manner whereby the communications infrastructure is shared by both systems – helping to reduce the total cost of the system. Second, it may be possible to install a system where the smart meter and the smart thermostat can communicate directly with one another to enhance future program opportunities. Third, a critical problem with existing air conditioning cycling programs, including Delmarva's existing Energy for Tomorrow Program, is the Company's inability to determine remotely whether cycling equipment is functioning properly; a problem that is remedied by implementing these in a coordinated fashion. Fourth, the value to an individual customer of a smart thermostat is significantly enhanced if the consumer receives an hourly market based price signal that directly rewards the participating customer for achieved load reductions. Any delay in deploying an advanced metering system in Delaware will also delay Delmarva's ability to offer smart thermostats to residential and small commercial customers.

It is important to note that the deployment of an advanced metering system will help to support all DSM program efforts by permitting the Company to offer optional innovative pricing options to its customers that help customers to directly capture the benefits of reducing their electricity demand during high priced periods through either energy efficiency improvements or demand response. Additionally, the availability of hourly consumption data for all customers greatly improves the Company's ability to accurately estimate achieved electric energy and demand savings that result from implemented DSM programs. Delmarva's recommendations regarding the near-term deployment of an advanced metering system are detailed in a separate section of this filing.

A list of Delmarva's recommended DSM programs is presented below in Table 1. The list includes programs designed primarily to reduce peak electricity demand (demand response programs) and programs designed to reduce overall electricity energy use (energy efficiency programs).

Table 1
Delmarva Power's Proposed DSM Programs⁵
(Three Year Implementation Period)

Program	Customers	Measures	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Energy Awareness Program	All	N/A	N/A	N/A
Non-Residential Programs				
Building Commissioning and O&M	313	93,932	5,230	40,843
HVAC Efficiency	2,283	22,834	3,467	5,467
Prescriptive	1,462	146,170	3,317	22,781
Custom	609	365,351	3,670	9,279
Smart Stat	3,055	76,375	24,216	654
Internet DR Platform	100	100	10,000	100
Commercial Total	7,822	704,762	49,900	79,124
Residential Programs				
Home Performance	4,520	4,520	4,599	10,546
HVAC	7,448	7,448	3,358	4,411
Lighting	37,784	302,273	1,256	10,546
Smart Stat	11,507	11,507	11,507	5,403
Residential Total	61,259	325,748	20,720	30,906
Total Portfolio	69,081	1,030,510	70,620	110,030

At the conclusion of three years, these programs are projected to achieve a total peak electricity demand reduction exceeding 70 MW and an annual electric energy reduction exceeding 110,000 MWh. More than 61,000 customers⁶ are expected to participate, and to achieve the installation of over one million energy efficiency or demand response measures. If the Commission approves each of the programs recommended by Delmarva at the proposed rebate levels and the projected penetration rate is achieved, the annual cost of the programs is estimated to be \$6 million for year one, \$7 million for year two, and \$12 million for year three. The total cost over a three year period is expected to be approximately \$26 million, including program start-up expense. The Company anticipates that it will also incur six to nine months of program start-up expense that would consist of approximately \$200,000 of internal labor related expense, an additional \$100,000 of contractor support, and \$200,000 for a DSM tracking

⁵ The units for "measures" vary with program type.

⁶ Customers may elect to participate in more than one offered DSM program.

database for a total start-up expense of \$500,000. Table 2 presents a summary of the proposed budget by primary expense category.

Table 2
Delmarva Power's Projected DSM Program Costs

Program	Total Cost Year 1	Total Cost Year 2	Total Cost Year 3	Three Year Total
Start-Up Costs				\$500,000
Non-Residential Programs				
Building Commissioning and O&M	\$302,024	\$363,625	\$448,763	\$1,114,412
HVAC Efficiency	\$658,442	\$792,739	\$978,347	\$2,429,528
Prescriptive Rebate	\$314,228	\$378,319	\$466,897	\$1,159,444
Custom Incentive	\$705,976	\$849,969	\$1,048,976	\$2,604,921
Smart Stat	\$81,571	\$237,703	\$904,323	\$1,223,597
Internet DR Platform	\$265,000	\$65,000	\$77,000	\$407,000
Commercial Total	\$2,327,241	\$2,687,355	\$3,924,306	\$8,938,902
Residential Programs				
Home Performance	\$1,527,282	\$1,826,202	\$2,247,710	\$5,601,194
HVAC Efficiency	\$587,388	\$707,194	\$872,772	\$2,167,354
Lighting	\$299,526	\$373,207	\$466,656	\$1,139,389
Smart Stat	\$307,245	\$452,093	\$3,895,556	\$4,654,895
Residential Total	\$2,721,441	\$3,404,783	\$7,436,607	\$13,562,831
General Awareness Campaign	\$950,000	\$950,000	\$950,000	\$2,850,000
Total Portfolio	\$5,998,682	\$7,042,138	\$12,310,913	\$25,851,733

If an electric DSM distribution surcharge were established to recover these expenses over a five year period, the average monthly residential electric bill would increase by approximately \$1.15 or 0.8%. Non-residential customers could also expect a similar minimal impact. The financial benefit derived from these expenditures is expected to be well in excess of this cost in total for all Delaware Delmarva electricity consumers for both program participants and non-participants over a thirty year period. Additional unquantifiable benefits in the form of reduced green house gases caused by power generating stations and reliability related improvements can also be expected.

3. DSM Implementation Timeline

Delmarva's implementation of its recommended DSM programs will require six to nine months of "start-up" time for the competitive selection of program vendors, development of detailed implementation plans, and preparation of specific programmatic materials.⁷ The Company proposes to phase-in the implementation of each program beginning during the six to nine month "start-up" period. A preliminary DSM implementation timeline is presented in Exhibit 1.

Exhibit 1

Delmarva DSM Implementation Project Schedule	Months																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1 Draft Vendor RFPs																		
2 Competitively Select Vendors																		
3 Prepare Detailed Program Implementation Plans																		
4 Phase-In Implementation of DSM Programs																		
5 Implement DSM Programs																		

4. Provision of DSM Programs

Delmarva is well positioned to provide DSM programs to its Delaware customers. Delmarva has more than twenty years of experience in the provision of such programs directly to Delaware consumers. Delmarva's sister company, Atlantic City Electric Company ("ACE"), currently manages the provision of approximately \$9 million of energy efficiency services to its New Jersey electricity customers. Historically, each of Pepco Holdings, Inc.'s electric distribution companies -- Delmarva, ACE, and Pepco have offered their customers a wide array of energy efficiency and demand response related programs, ranging from direct control peak demand reduction programs to extensive energy efficiency loan, audit, and rebate programs. These programs were subject to the oversight of the Mid-Atlantic state and District of Columbia Commissions and cost recovery surcharge mechanisms were established by each Commission as well. In Delaware, Delmarva achieved energy efficiency improvements in all customer segments through utility sponsored efficiency measures impacting individual end-uses and building envelopes. Delmarva continues to operate a residential air conditioner/heat pump and water heater control program, the Energy For Tomorrow ("EFT") Program. During the summer of 2006, more than 42,000 Delaware customers participated in the EFT Program, providing more than 20 MW of peak electricity demand reduction. Delmarva's annualized energy efficiency savings achieved by historic utility energy efficiency programs in 1994 alone exceeded 91,000 MWh and reduced Delaware customers' peak electric demand by more than 242 MW.

⁷ See Page 9, discussion of "linked rollouts."

Delmarva is prepared to implement each of the proposed programs beginning in 2007 after Commission approval of each program is received and an appropriate cost recovery mechanism established. The Company believes that it is in the best position to effectively administer each program for the following reasons: 1) its historic experience with the successful implementation of demand-side management programs; 2) its existing financial accounting systems; 3) its customer information system; 4) its customer call center; 5) its ability to integrate demand response programs into the PJM wholesale market through its Control Center operations; 6) its ability to integrate demand response programs into the design and operation of its distribution network; 7) its ability to collect and track electric distribution surcharge funds; and 8) the regulatory oversight provided by the Commission that ensures that expenditures are prudently made.

It is important to recognize that large scale energy efficiency programs require comprehensive planning, design, evaluation, implementation, and administration efforts. It is also important to note the importance of integrating the planning of large scale energy efficiency programs into the optimal design of electric distribution and transmission system operations. Delmarva has the experience and capability necessary to perform this work in the near-term for its Delaware customers.

After Commission approval of Delmarva's proposed DSM programs is received, the Company will develop detailed program implementation plans for each program, issue RFPs for implementation contractors, competitively select the implementation contractors, develop the energy awareness campaign, and establish appropriate program tracking systems. Planned program budgets will be revised after implementation vendors are selected and after detailed program implementation plans are prepared. It is anticipated that actual program operations would be phased-in over a six to nine month time period.

5. Regulatory Approval Process

Delmarva recommends that the Delaware Commission approve in the near-term its recommended DSM programs at the recommended budget levels, together with the Company's proposed cost recovery mechanisms discussed in detail later in this report. As noted above, the Company will revise its DSM budget estimates after vendor bids are received and after detailed program implementation plans are developed. Delmarva recommends that if the revised total DSM three-year budget estimates vary by more than ten percent from the figures presented in this filing, that the Commission require the Company to notify it of the revised budget estimates prior to DSM program implementation.

The Company would support the creation of a Commission-established Delaware DSM collaborative whereby various electricity market stakeholders could participate in discussions regarding the appropriate design, implementation, and evaluation of Delmarva sponsored DSM

programs.⁸ DSM strategies agreed to through the collaborative process would be filed with the Commission for its approval and subsequent program implementation by Delmarva Power.

Delmarva proposes to develop and provide annual reports to the Commission describing its DSM efforts. The report will contain a variety of program statistics, including detailed DSM expenditures, number of customer participants, number of measures installed, achieved annual peak electricity demand reductions, achieved annual energy savings, and any recommended significant program changes. On a quarterly basis, if DSM program incentive payments are more than 10 percent above budgeted amounts in total for all programs, the Company proposes that it alert the Commission and recommend whether any programmatic changes should be made to avoid spending significantly greater funds than planned. If total incentive payments are higher than expected, Delmarva recommends that it implement no programmatic changes until the Commission approves any revisions.

6. Evaluation Process

Delmarva recommends that both monitoring and evaluation efforts be performed as part of the ongoing implementation of each program so that any program problems can be identified and corrected expeditiously. The Company plans to conduct formal program evaluations after each program has been operational for two years. The Company has included proposed budgets for this work within its overall DSM budget estimates.

7. Proposed DSM Program Descriptions

A general description of each proposed program is presented below, together with a proposed budget for a three year implementation period. Recommended measures and expenditure levels were derived from the least-cost mix of measures selected through the IRP and recent DSM implementation experience in other regions of the United States. Final recommended budgets are expected to vary from those presented below based upon implementation vendor bids and program refinements. Detailed implementation plans setting forth all program parameters along with accompanying program materials will be prepared during the "start-up period" prior to the implementation of each program.

⁸ Any time required by the collaborative process could delay the timing of Delmarva's implementation of DSM programs.

8. Energy Awareness Campaign

An Energy Awareness marketing campaign is required for the successful implementation of the proposed DSM programs. The purpose of the campaign is to educate all Delmarva electric distribution customers about opportunities to reduce their electricity bills through both energy efficiency and demand response. The campaign will contain information about how customers can take advantage of specific Delmarva DSM programs to control their electricity costs as well as no-cost or low-cost energy savings activities customers can implement themselves. After Delmarva completes the deployment of an advanced metering system, the campaign will contain information about any new electricity pricing options that are available to customers.

The recommended Energy Awareness campaign over the three year period is budgeted at \$2.85 million. The proposed annual budget of program costs is presented below.

**Annual Delaware Energy Awareness Campaign
Proposed Communications Budget**

Spot Radio	\$425,000
Print (newspaper)	\$130,000
Cable TV	\$125,000
Internet	\$135,000
Print Collateral	\$25,000
Special Events	\$10,000
Production/Acct. Mgt.	\$100,000
Total	\$950,000

9. DSM Program Descriptions

Details of Delmarva's recommended DSM programs are presented in the following pages.

i. Building Commissioning and O&M Program

The primary objective of the Building Commissioning and O&M Program is to motivate non-residential customers to reduce energy use through improvements in the manner facilities are operated and maintained. The Program will offer technical and financial assistance to support improved commissioning of new buildings and the re-commissioning of existing facilities. The Program will also provide training opportunities, such as building operator and compressed air systems operations training.

Non-residential customers, primarily in the commercial, governmental, and institutional sectors. The target customers will typically operate large facilities which are expected to be receptive to and benefit from commissioning services.

The measures allowed in the Building Commissioning and Operations and Maintenance Program will typically include consulting and engineering services and low-cost/no-cost system adjustments and control system modifications. Measures involving capital improvements will not be included in this Program, but will be supported through the Company's other recommended DSM programs. The training component of the Program will offer local or regional training opportunities to improve the energy awareness of facilities personnel. Scholarship subsidies may also be offered for other appropriate training programs.

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The selected vendor will be responsible for recruiting participants, reviewing commissioning proposals, measurement and verification plans, incentive processing (final fulfillment may be handled by the Company or a single entity for all financial assistance programs), and final measure verification. The Company will work with the selected vendor to develop a detailed implementation plan, and commissioning and technical and financial assistance guidelines. The vendor and/or the Company will also develop and offer an appropriate suite of training opportunities specifically targeted to the needs of Delmarva customers. Trade allies and energy services providers will be an integral part of providing this Program to Delmarva Power customers.

Building Commissioning and O&M Program (continued)

The General Awareness Campaign will be the primary communications medium for the program. Program specific marketing efforts will target customers, trade allies and the energy services industry in specific market segments where commissioning and improved O&M will provide cost-effective customer benefits. The Program will be marketed to both customers and trade allies. This marketing will entail targeted direct marketing and, direct contact by vendor personnel and Company Account Managers, trade shows and trade association outreach. Trade ally marketing to customers will also be an important component of the customer marketing efforts.

Incentives in this program generally will be based on the cost of the consulting and engineering services necessary to carry out a commissioning plan. In a limited number of instances, the cost of a pilot list of low-cost improvements may be subsidized to demonstrate the value of additional commissioning efforts. Incentive payments will be fulfilled through credits on the customers' electric bills. Customers whose accounts are in arrears will be required to establish a payment or shared savings plan with the Company prior to receiving program incentives.

Energy savings and cost estimates for measures in this program will be calculated by the customer or trade ally as part of the Program application process. The reasonableness of these estimates will be verified by the Program vendor utilizing accepted engineering practices prior to an incentive being offered. Verification of completion of the commissioning process will be conducted for every project.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers (Buildings Impacted)	Measures (Tons of Cooling)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	80	23,994	1,336	10,433
Year 2	103	30,876	1,719	13,425
Year 3	130	39,063	2,175	16,985
Total	313	93,932	5,230	40,843

Building Commissioning and O&M Program (continued)

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non- incentive Costs	Incentives	Total Program Cost
Year 1	\$18,574	\$11,144	\$44,576	\$0	\$0	\$74,294	\$227,730	\$302,024
Year 2	\$11,144	\$7,429	\$52,006	\$0	\$0	\$70,579	\$293,046	\$363,625
Year 3	\$11,144	\$3,715	\$52,006	\$0	\$11,144	\$78,009	\$370,754	\$448,763
Total	\$40,862	\$22,288	\$148,588	\$0	\$11,144	\$222,882	\$891,529	\$1,114,412

ii. **Non-Residential HVAC Efficiency Program**

The primary objective of the Non-Residential HVAC Efficiency Program is to motivate non-residential customers to select high efficiency options when making HVAC purchasing decisions by providing incentives for high efficiency unitary air conditioning and heat pump equipment. A secondary objective is to educate the marketplace on the increased efficiency and value resulting from proper HVAC system installation. To accomplish this secondary objective it is necessary to educate consumers about the value of proper system installation. It is also necessary to provide training to the HVAC industry on proper installation and commissioning techniques and selling customers on the added value of these services.

Commercial, governmental, institutional, agricultural, and industrial customers of all sizes and HVAC designers, contractors and installers.

The measures selected for this program will fall into two categories: 1) high efficiency air conditioning and heat pump equipment up to approximately 30 tons of capacity, utilizing the ENERGY STAR[®] certification where appropriate; and 2) measures which support confirming the quality of an HVAC system installation, such as the verification of proper refrigerant charge and air-flow.

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The vendor will be responsible for recruiting participants, incentive processing (final fulfillment will be handled by the Company), and spot verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists, deemed savings and rebate levels. Trade allies and energy services providers will be an integral part of bringing this program to Delmarva Power customers.

The General Awareness Campaign will be the primary customer communications medium for the program. Program specific marketing efforts will target contractors and trade allies in the HVAC industry. The HVAC industry will be marketed using targeted direct marketing, direct contact by the program vendor personnel, trade shows and trade association outreach. Trade ally marketing to customers will also be an important component of the customer marketing efforts.

Non-Residential HVAC Efficiency Program (continued)

Incentives in this program will be based on the incremental costs of the energy-efficient HVAC equipment. Quality installation measure incentives will be based on the associated energy savings and a reasonable financial enticement for the HVAC industry to modify current business practices. Incentive payments will be fulfilled through credits on the customers' electric bill. Customers whose accounts are in arrears will be required to establish a payment or shared savings plan with the Company prior to receiving program incentives.

Energy savings estimates for measures in this program will be deemed savings values based on statistical weather data and typical system operating hours in the region. All applicants will be required to provide an invoice indicating manufacturer and model numbers for the air conditioning and heat pump equipment. ARI rated efficiency will be verified for all applications. Field verification of measure installation will be made for a statistically significant sample of projects.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers (Units Rebated)	Measures (Tons of Cooling)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	583	5,833	886	1,396
Year 2	751	7,506	1,140	1,797
Year 3	950	9,496	1,442	2,273
Total	2,283	22,834	3,467	5,467

Non-Residential HVAC Efficiency Program (continued)

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non-incentive Costs	Incentives	Total Program Cost
Year 1	\$40,492	\$24,295	\$97,181	\$0	\$0	\$161,969	\$496,473	\$658,442
Year 2	\$24,295	\$16,197	\$113,378	\$0	\$0	\$153,870	\$638,869	\$792,739
Year 3	\$24,295	\$8,098	\$113,378	\$0	\$24,295	\$170,067	\$808,280	\$978,347
Total	\$89,083	\$48,591	\$323,937	\$0	\$24,295	\$485,906	\$1,943,623	\$2,429,528

iii. Non-Residential Prescriptive Rebate Program

The primary objective is to motivate non-residential customers to select high efficiency options when making purchasing decisions by providing incentives for selected common cost-effective energy efficiency measures.

Commercial, government, institutional, agricultural, and industrial customers of all sizes.

The measures selected for this program will fall into two categories: 1) measures where the energy savings can be reliably predicted by applying simple threshold conditions; and 2) measures where a uniform incentive structure is appropriate, but a simple energy savings estimate is necessary to qualify the specific application. The measures will range from energy-efficient equipment which has broad application in the commercial and industrial sectors, such as premium efficiency motors and variable frequency drives on HVAC systems, to niche market applications such as T5 lighting conversions in the big-box retail sector. LED traffic signals will be included.

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The vendor will be responsible for recruiting participants, incentive processing (final fulfillment may be handled by the Company), and spot audit verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists and rebate levels. Trade allies and energy services providers will be an integral part of bringing this program to Delmarva Power customers.

The General Awareness Campaign will be the primary communications medium for the program. Program specific marketing efforts will target customers, trade allies and the energy services industry for specific market segments where the prescriptive rebate measures are applicable. Customer marketing will entail targeted direct marketing, direct contact by Company Account Managers and program implementer personnel, trade shows and trade association outreach. Trade ally marketing will also be an important component of the customer marketing efforts.

Non-Residential Prescriptive Rebate Program (continued)

Incentives in this program generally will be based on the incremental costs of the energy-efficient equipment and measures, with consideration given to current levels of equipment market share. Incentive payments may be fulfilled through credits on the customers' electric bill. Customers whose accounts are in arrears will be required to establish a payment or shared savings plan with the Company prior to receiving program incentives.

Energy savings estimates for measures in this program will be deemed savings values established for each measure. Verification of measure installation will be made for a statistically significant sample of projects.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers	Measures (Lamps, Fixtures, Motors, etc.)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	373	37,337	847	5,819
Year 2	480	48,046	1,090	7,488
Year 3	608	60,787	1,379	9,474
Total	1,462	146,170	3,317	22,781

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non-incentive Costs	Incentives	Total Program Cost
Year 1	\$19,324	\$11,594	\$46,378	\$0	\$ 0	\$77,296	\$236,932	\$314,228
Year 2	\$11,594	\$7,730	\$54,107	\$0	\$ 0 -	\$73,431	\$304,888	\$378,319
Year 3	\$11,594	\$3,865	\$54,107	\$0	\$11,594	\$81,16	\$385,736	\$466,897
Total	\$42,513	\$23,189	\$154,593	\$0	\$11,594	\$231,889	\$927,556	\$1,159,445

iv. **Custom Incentive Program**

The primary objective of the Custom Incentive Program is to motivate non-residential customers to select high efficiency options when making purchasing decisions by providing incentives for cost-effective energy efficiency measures which are customized to the specific needs of the customer.

Commercial, government, institutional, agricultural, and industrial customers of all sizes.

The measures permitted in the Custom Incentive Program are any cost-effective IRP selected non-lighting energy efficiency improvements that are not eligible for rebates through the Company's other non-residential DSM programs. These measures will typically have energy savings and incremental costs that are site specific and not applicable across a broad range of customers. Measures are expected to include large air conditioning equipment and chillers, industrial process improvements, energy management systems, and improvements which improve the efficiency of an energy consuming system rather than a single piece of equipment. Efficiency improvements that are derived solely from operational changes are specifically excluded from this program and will be eligible to participate in the Building Commissioning and Operations and Maintenance Program.

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The implementer will be responsible for recruiting participants, verifying energy savings and cost proposals, incentive processing (final fulfillment will be handled by the Company), and measure verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists and incentive guidelines. Trade allies and energy services providers will be an integral part of bringing this program to Delmarva Power customers.

The General Awareness Campaign will be the primary communications medium for the program. Program specific marketing efforts will target customers, trade allies and the energy services industry for specific market segments where custom measures are applicable. The Custom Incentive Program will be marketed to both customers and trade allies. This marketing will entail targeted direct marketing and, direct contact by vendor personnel and Company Account Managers, trade shows and trade association outreach. Trade ally marketing to customers will also be an important component of marketing.

Custom Incentive Program (continued)

Incentives in this program will be based on the incremental costs of the energy-efficient equipment and measures, with consideration given to the customer's current energy efficiency practices in developing project baselines. Incentive payments may be fulfilled through direct payments to the customer or credits on the customer's electric bill. Customers whose accounts are in arrears will be required to establish a payment or shared savings plan with the Company prior to receiving program incentives.

Energy savings and cost estimates for measures in this program will be calculated by the customer or trade ally as part of the Program application process. The reasonableness of these estimates will be verified by the Program vendor, utilizing accepted engineering practices, prior to an incentive being offered. Verification of measure installation will be made for every project with an incentive of \$25,000 or more and for a statistically significant sample of smaller projects.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers	Measures (Tons of cooling, control points, etc.)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	156	93,324	938	2,370
Year 2	200	120,091	1,206	3,050
Year 3	253	151,936	1,526	3,859
Total	609	365,351	3,670	9,279

Custom Incentive Program (continued)

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non- incentive Costs	Incentives	Total Program Cost
Year 1	\$43,415	\$26,049	\$104,197	\$0	\$0	\$173,661	\$532,315	\$705,976
Year 2	\$26,049	\$17,366	\$121,563	\$0	\$0	\$164,978	\$684,991	\$849,969
Year 3	\$26,049	\$8,683	\$121,563	\$0	\$26,049	\$182,344	\$866,631	\$1,048,976
Total	\$95,514	\$52,098	\$347,323	\$0	\$26,049	\$520,984	\$2,083,936	\$2,604,921

v. Non-Residential Smart Thermostat Program

The primary objective of the Smart Stat Load Control Program is to provide a simple method for non-residential consumers with central air conditioning or heat pump systems to automatically reduce peak electricity demand during peak usage periods and to also reduce their overall electricity consumption. The program will accomplish this goal through the installation of remotely controllable smart thermostats capable of reducing the air conditioners load on the electric system after receipt of a Delmarva command signal and capable of being programmed to automatically vary temperature settings. There are several control methodologies and technologies available to the Company for application in this program. The Company will select the final technology together with an advanced metering system as part of a competitive RFP process.

Small commercial, government, institutional, agricultural, and industrial customers with packaged central air conditioning systems.

The selected remotely controllable thermostat(s) will reduce air conditioning electric load in response to a utility command to do so.

Program implementation will be provided by a third-party vendor who will be selected through an RFP process. The vendor will be responsible for supplying, installing and maintaining smart thermostats, and recruiting participants. Delmarva will verify load reductions and provide market based incentives through the deployment of an advanced metering system. The Company will work with the selected vendor to develop a detailed implementation plan. Any delay in the deployment of a smart metering system will delay the implementation of this Program.

The General Awareness Campaign will be the primary customer communications medium for the program. Program specific marketing efforts will target customers with central air conditioning systems. This marketing will entail targeted direct marketing and, direct contact by vendor personnel and Company Account Managers.

All program incentives will be based upon the PJM wholesale market value of reductions.

Non-Residential Smart Thermostat Program (continued)

Achieved electric energy and demand reductions will be determined through hourly energy consumption data obtained through deployment of an advanced metering system and each customer's historic billing data, adjusted for weather conditions.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers (A/C Units Controlled)	Measures (Tons Of Cooling)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	0	0	0	0
Year 2	500	12,500	3,965	107
Year 3	2,555	63,873	20,251	547
Total	3,055	76,375	24,216	654

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non- incentive Costs	Incentives	Total Program Cost
Year 1	\$28,550	\$12,236	\$40,786	\$0	\$0	\$311,390	\$0	\$81,571
Year 2	\$20,393	\$8,157	\$48,943	\$160,210	\$0	\$356,357	\$0	\$237,703
Year 3	\$20,393	\$4,079	\$48,943	\$818,673	\$12,236	\$555,821	\$0	\$904,323
Total	\$69,336	\$24,471	\$138,671	\$978,883	\$12,236	\$1,223,569	\$0	\$1,223,597

vi. Non-Residential Internet Platform for Load Curtailments

The primary objective of the Non-Residential Internet Platform for Load Curtailments is to motivate non-residential consumers to participate in PJM load response programs by providing a convenient mechanism to do so. Customers who participate will receive hourly customer energy data (daily or monthly depending upon existing metering), hourly Delmarva Zonal Locational Marginal Prices (LMPs) for energy, and load reduction calculations (hourly energy savings) presented through the Internet platform. Delmarva deployment of an advanced metering system will provide daily data for customer participants in this important program.

Commercial, government, institutional, agricultural and industrial customers capable of reducing their demands by at least 100 kW during summer weekday afternoons.

Participants will reduce demand and energy consumption when LMPs are high enough for them to justify doing so, or when PJM calls for an emergency load reduction.

An internet demand response platform will be selected through a competitive RFP process and will be linked to Delmarva's internet home page.

The General Awareness Campaign will be the primary communications medium for the program. Program specific marketing efforts will target eligible customers, trade allies and load serving entities. Customer marketing will entail targeted direct marketing, direct contact by Company Account Managers, trade shows and trade association outreach.

Non-Residential Internet Platform for Load Curtailments (continued)

Incentives

The incentives in this program will be the PJM Load Response payments for energy reductions will be based upon the hourly PJM LMPs and the load reductions achieved. Customers who participate through Delmarva will receive 70% of the PJM payments, with the other 30% retained by Delmarva to offset DSM program costs. Payments to customers participating through Delmarva will appear as credits on the customer's electric bill. Participants will have the option at any time to exit this Program and participate in any PJM demand reduction program through a competitive Curtailment Service Provider or directly with PJM.

Measurement and Verification

Achieved electric energy and demand reductions will be determined through hourly energy consumption data, obtained through existing interval meters and future deployment of an advanced metering system and each customer's historic billing data, adjusted for weather conditions.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Program Goals

Year	Customers	Measures (Lamps, Fixtures, Motors, etc.)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	50	N/A	5,000	50
Year 2	75	N/A	7,500	75
Year 3	100	N/A	10,000	100
Total	100	N/A	10,000	100

Non-Residential Internet Platform for Load Curtailments (continued)

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non-incentive Costs	Incentives	Total Program Cost
Year 1	\$30,000	\$40,000	\$25,000	\$170,000	\$0	\$265,000	Mkt.	\$265,000
Year 2	\$20,000	\$20,000	\$25,000	\$ 0	\$0	\$65,000	Mkt.	\$65,000
Year 3	\$20,000	\$20,000	\$25,000	\$ 0	\$12,000	\$77,000	Mkt.	\$77,000
Total	\$70,000	\$80,000	\$75,000	\$170,000	\$12,000	\$407,000	Mkt.	\$407,000

vii. Home Performance with Energy Star Program

The primary objective of the Home Performance with Energy Star Program is to motivate residential energy consumers to use a whole-house approach to reducing energy consumption when considering home improvements such as new heating and air conditioning equipment, replacing windows, or adding insulation. Rather than focusing on a single component, the homeowner will be provided with an assessment of how a combination of improvements, such as sealing air and duct leaks, adding insulation, improving the HVAC system and upgrading lighting and appliances would result in a more comfortable home, with lower electricity consumption. A secondary objective is to develop a trained and certified group of contractors capable of providing whole-house energy services in the Delmarva market. HVAC, insulation, and home improvement contractors will be offered training opportunities and encouraged to become quality certified by organizations such as the Building Performance Institute ("BPI") and the National Association for Technical Excellence ("NATE").

Residential customers in existing homes who are considering upgrades and improvements to their home.

Eligible measures in this program will include air sealing, additional insulation, duct sealing, recommended new heating and air conditioning equipment, and recommended energy-efficient lighting and appliances. Air conditioning and lighting related rebates will be provided through separate programs described below. Contractor training to support quality certification will also be offered.

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The vendor will be responsible for recruiting and training contractors, incentive processing (final fulfillment may be handled by the Company), and spot verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists, deemed savings and rebate levels. Trained and certified contractors will be an integral part of bringing this program to Delmarva Power customers.

Home Performance with Energy Star Program (continued)

Marketing and Outreach

The General Awareness Campaign will be the primary customer communications medium for the program. Program specific marketing efforts will target contractors and trade allies in the HVAC and home improvement industries. These industries will be marketed using targeted direct marketing, direct contact by the program vendor personnel, trade shows and trade association outreach. Trade ally marketing to their customers will also be an important component of the customer marketing efforts.

Incentives

Incentives in this program will be in the form of direct incentives for energy efficiency improvements and energy efficiency improvement loans. These energy efficiency loans may be interest rate subsidized by the program or arranged through a lender affiliated with a program such as the Fannie Mae Energy Efficiency Loan Program. (Any energy efficiency loans will be managed by the lending institution.)

Measurement and Verification of Energy Savings

Energy savings estimates for projects in this program will be available from the software programs used by the contractors to evaluate customer's homes. Contractors will be required to upload data to a central database to acquire the savings information. Field verification of measure installation will be made for a statistically significant sample of projects.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Expected Program Results

Year	Customers	Measures (Homes)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	1,155	1,155	1,175	2,694
Year 2	1,486	1,486	1,512	3,466
Year 3	1,880	1,880	1,913	4,386
Total	4,520	4,520	4,599	10,546

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Appendix, In the Matter of Delmarva's Blueprint for the Future Plan
Filed February 6, 2007

vii. Home Performance with Energy Star Program (continued)

Estimated Budget								
Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non-incentive Costs	Incentives	Total Program Cost
Year 1	\$103,267	\$61,960	\$247,840	\$0	\$0	\$413,067	\$1,114,214	\$1,527,282
Year 2	\$61,960	\$41,307	\$289,147	\$0	\$0	\$392,414	\$1,433,788	\$1,826,202
Year 3	\$61,960	\$20,653	\$289,147	\$0	\$61,960	\$433,721	\$1,813,989	\$2,247,710
Total	\$227,187	\$123,920	\$826,135	\$0	\$61,960	\$1,239,202	\$4,361,992	\$5,601,194

viii. Residential HVAC Efficiency Program

Program Description

The primary objective of the residential HVAC Efficiency Program is to motivate residential energy consumers to select high efficiency options when making HVAC purchasing decisions by providing rebates for high efficiency unitary air conditioning and heat pump equipment. A secondary objective is to educate the marketplace about the increased efficiency and improved comfort resulting from proper HVAC system installation. To accomplish this secondary objective it is necessary to educate consumers on the value of proper system installation. It is also necessary to provide impetus and training to the HVAC industry on proper installation and commissioning techniques and selling customers on the added value of these services.

Target Audience

Residential customers who are purchasing central air conditioning and heat pump systems and HVAC designers, contractors and installers.

Eligible Measures

The measures selected for this Program will fall into two categories: 1) ENERGY STAR[®] qualified high efficiency central air conditioning and heat pump equipment that exceed existing code requirements up to approximately 5 ton capacity; and 2) measures which support confirming the quality of an HVAC system installation, such as the verification of proper refrigerant charge and air-flow.

Program Implementation

Program implementation will be provided by a third-party vendor who will be competitively selected through an RFP process. The vendor will be responsible for recruiting participants, incentive processing (final fulfillment will be handled by the Company), and spot verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists, deemed savings and rebate levels. Trade allies and energy services providers will be an integral part of bringing this program to Delmarva Power customers.

Marketing Efforts

The General Awareness Campaign will be the primary customer communications medium for the program. Program specific marketing efforts will target contractors and trade allies in the HVAC industry. The HVAC industry will be marketed using targeted direct marketing, direct contact by the program vendor personnel, trade shows and trade association outreach. Trade ally marketing to customers will also be an important component of the customer marketing efforts.

Residential HVAC Efficiency Program (continued)

Incentives in this program generally will be based on a portion of the incremental costs of the energy-efficient HVAC equipment. Quality installation measure incentives will be based on the associated energy savings and a reasonable financial enticement for the HVAC industry to modify current business practices. Incentive payments may be fulfilled through credits on the customers' electric bills. Customers whose accounts are in arrears will be required to establish a payment or shared savings plan with the Company prior to receiving program incentives.

Energy savings estimates for measures in this program will be deemed savings values based on statistical weather data and typical system operating hours in the region. All applicants will be required to provide an invoice indicating manufacturer and model numbers for the air conditioning and heat pump equipment. ARI rated efficiency will be verified for all applications. Field verification of measure installation will be made for a statistically significant sample of projects.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes

Year	Customers	Measures (Systems)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	1,902	1,902	858	1,127
Year 2	2,448	2,448	1,104	1,450
Year 3	3,097	3,097	1,396	1,834
Total	7,448	7,448	3,358	4,411

Residential HVAC Efficiency Program (continued)

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non-incentive Costs	Incentives	Total Program Cost
Year 1	\$36,123	\$21,674	\$86,694	\$0	\$0	\$144,490	\$442,898	\$587,388
Year 2	\$21,674	\$14,449	\$101,143	\$0	\$0	\$137,266	\$569,928	\$707,194
Year 3	\$21,674	\$7,225	\$101,143	\$0	\$21,674	\$151,715	\$721,057	\$872,772
Total	\$79,470	\$43,347	\$288,980	\$0	\$21,674	\$433,471	\$1,733,883	\$2,167,354

ix. Residential Lighting Program

Program Objective

The objective of the Residential Lighting Program is to increase the presence of ENERGY STAR[®] lighting products in residences. The Program will employ consumer coupons and rebates and/or middle-market buy-downs to overcome the relatively high first-cost and customer unfamiliarity that prevents consumers from purchasing efficient lighting products. In many U.S. markets, the buy-down methodology has proven to be the most effective way to influence the market, from both program cost and success standpoints.

Target Audience

All residential customers.

Eligible Measures

Eligible measures in this program will include ENERGY STAR[®] qualified compact fluorescent light bulbs, fluorescent lighting fixtures, and ceiling fans with fluorescent light fixtures.

Delivery Strategy

Program implementation will be provided by a third-party vendor who will be selected through a competitive RFP process. The vendor will be responsible for program implementation, retailer interactions, incentive processing (final incentive fulfillment will be handled by the Company), and spot verification. The Company will work with the selected vendor to develop a detailed implementation plan, measure lists, deemed savings and rebate levels.

Marketing and Communications

The General Awareness Campaign will be the primary customer communications medium for the Program. Program specific marketing efforts will target retailers to increase the availability of ENERGY STAR[®] lighting products in the marketplace.

Incentive Structure

Incentives in this program will be in the form of consumer coupons, rebates, and buy-downs of product cost at the retailer level.

Residential Lighting Program (continued)

Measures and Savings				
Energy savings estimates for residential lighting will be based on engineering calculated savings and customer installation rates.				
The program will be evaluated after the second full year of program implementation to inform a decision on continuation or modification of the program.				

Estimated Program Costs								
Year	Customers	Measures (CFLs and Fixtures)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)				
Year 1	9,651	77,212	321	3,383				
Year 2	12,420	99,357	413	4,353				
Year 3	15,713	125,704	522	5,508				
Total	37,784	302,273	1,256	10,546				
Estimated Program Costs								
Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non- incentive Costs	Incentives	Total Program Cost
Year 1	\$9,076	\$5,446	\$21,783	\$0	\$0	\$36,305	\$263,222	\$299,526
Year 2	\$5,446	\$3,630	\$25,413	\$0	\$0	\$34,490	\$338,718	\$373,207
Year 3	\$5,446	\$1,815	\$25,413	\$0	\$5,446	\$38,120	\$428,536	\$466,656
Total	\$19,968	\$10,891	\$72,610	\$0	\$5,446	\$108,915	\$1,030,475	\$1,139,390

x. Residential Smart Thermostat Program

Program Description

The primary objective of the Residential Smart Thermostat Program is to provide a simple method for residential consumers with central air conditioning or heat pump systems to automatically reduce peak electricity demand during peak usage periods and to also reduce their overall electricity consumption. The program will accomplish this goal through the installation of remotely controllable smart thermostats, capable of reducing the air conditioners load on the electric system after receipt of a Delmarva command signal and capable of being programmed to automatically vary temperature settings. There are several control methodologies and technologies available to the Company for application in this program. The Company will select the final technology together with an advanced metering system as part of a competitive RFP process.

Target Market

Residential customers with central air conditioning or heat pumps.

Eligible Measures

The selected remotely controllable thermostat(s) will reduce air conditioning electric load in response to a utility command to do so.

Delivery Strategy

Program implementation will be provided by a third-party vendor who will be selected through an RFP process. The vendor will be responsible for supplying, installing and maintaining smart thermostats, and recruiting participants. Delmarva will verify load reductions and provide market based incentives through the deployment of an advanced metering system. The Company will work with the selected vendor to develop a detailed implementation plan. Any delay in the deployment of a smart metering system will delay the implementation of this Program.

Marketing and Outreach Plan

The General Awareness Campaign will be the primary customer communications medium for the program. Program specific marketing efforts will target customers with central air conditioning systems. This marketing will entail targeted direct marketing.

Incentive Strategy

All program incentives will be based upon the PJM wholesale market value of load reductions.

Residential Smart Thermostat Program (continued)

Achieved electric energy and demand reductions will be determined through hourly energy consumption data obtained through deployment of an advanced metering system and each customer's historic billing data adjusted for weather conditions.

The program will be formally evaluated after the second full year of program implementation to serve as a basis for recommended future program changes.

Year	Customers	Measures (Homes controlled)	Peak Demand Reduction (kW)	Annual Energy Reduction (MWh)
Year 1	0	0	0	0
Year 2	500	500	500	236
Year 3	11,007	11,007	11,007	5,167
Total	11,507	11,507	11,507	5,403

Year	Utility Administration	Marketing	Outside Services	Capital Equipment	Evaluation	Total Non- incentive Costs	Incentives	Total Program Cost
Year 1	\$107,536	\$46,087	\$153,623	\$0	\$0	\$307,246	\$0	\$307,246
Year 2	\$76,811	\$30,725	\$184,347	\$160,210	\$0	\$452,093	\$0	\$452,093
Year 3	\$76,811	\$15,362	\$184,347	\$3,526,862	\$92,174	\$3,895,556	\$0	\$3,895,556
Total	\$261,158	\$92,174	\$522,317	\$3,687,072	\$92,174	\$4,654,895	\$0	\$4,654,895

BLUEPRINT FOR THE FUTURE PLAN

**PROPOSED DEPLOYMENT OF
ADVANCED METERING INFRASTRUCTURE (AMI)**

ADVANCED METERING AND RELATED TECHNOLOGY

Delmarva proposes to deploy an advanced metering infrastructure ("AMI") for all of its Delaware gas and electric customers over a three year time period beginning in 2007.⁹ The Company recognizes that the costs of such a deployment are significant; however the resulting benefits to Delaware gas and electric customers are expected to greatly exceed those costs. The significant benefits of AMI deployment have recently been recognized by other utilities and Commissions. Pennsylvania Power & Light Company completed the installation of 1.3 million electric meters in 2004 for all of its electric distribution customers. Southern Company (4.5 million electric meters) and Detroit Edison (3 million electric meters) have received Commission approval to replace all of their meters with an AMI system and are currently in the vendor RFP phase of this work. The Pacific Gas & Electric Company has received Commission approval for universal deployment of an AMI system and is currently deploying 5.2 million electric meters and 4.1 million gas meters. Both San Diego Gas & Electric Company (1.3 million electric meters and 800,000 gas meters) and Southern California Edison Company (5.1 million electric meters) have submitted filings to the California Public Utilities Commission proposing the universal deployment of AMI systems. On January 23, 2006, the Baltimore Gas & Electric Company filed with the Maryland Commission for approval of the deployment of an AMI system beginning in 2007.

Delmarva believes that it is now time to deploy a universal AMI system in Delaware for following reasons: 1) metering technology has evolved sufficiently to make this practicable; 2) AMI equipment is currently available from vendors at a reasonable cost, but availability may become more limited in the future as additional utility AMI deployments are initiated; 3) near-term AMI deployment will provide significant Delmarva Delaware customer benefits; and 4) the cost of electricity and gas has risen significantly in recent years thereby driving the need for detailed consumption data for all Delaware consumers.

On May 9, 2006 the Commission initiated Docket No. 57 to address the metering related evaluation requirements required by Delaware State Title 26 §1008(b)(1)b of the Electric Utility Retail Customer Supply Act of 2006 and the Energy Policy Act of 2005. In this proceeding, Delmarva worked closely with the Commission Staff and Delaware Division of the Public Advocate (the "Working Group") as part of the Delaware Docket No. 57 proceeding to prepare a joint report to the Commission on Advanced Metering. That report, entitled "Docket No. 57

⁹ Delmarva agrees with the electric AMI system definition developed by the Federal Energy Regulatory Commission Staff:

Advanced metering is a metering system that records customer consumption [and possibly other parameters] hourly or more frequently and that provides for daily or more frequent transmittal of measurements over a communication network to a central collection point. (Federal Energy Regulatory Commission Staff Report entitled "Assessment of Demand Response & Advanced Metering," August 2006, p. 17.)

The Company notes that the gas meter readings would be gathered daily through an AMI system, but that consumption interval measurement periods would be daily.

Advanced Metering Report to the Delaware Public Service Commission," was submitted to the Commission on November 15, 2006. The report identified the many potential benefits provided by AMI systems for Delmarva's electric distribution customers and provided an estimated cost range for the deployment of such a system. The Working Group reached the following conclusion in mid-November:

...the deployment of an AMI system by Delmarva could provide significant benefits to Delaware electricity consumers. These benefits could enhance utility customer service and utility distribution operations. Additionally, AMI and an accompanying upgrade of utility billing capabilities could provide customers with greater control over their monthly electricity bills by providing additional information and encouraging demand reductions during high priced periods. These reductions would be expected to exert downward pressure on wholesale electricity market prices over the long-run.

(Working Group Report, p. 21).

The Working Group recommended three possible paths to the Commission in response to the U.S. Energy Policy Act of 2005 requirement to address and further explore AMI deployment benefits: 1) to create a pilot program; 2) to study pilots and full scale AMI programs being implemented elsewhere; or 3) conclude that no action was required at this time. The Working Group Report noted that the disadvantages of establishing an AMI pilot included: 1) pilot cost; 2) potential delay of full AMI deployment pending full pilot evaluation; 3) statistical validity issues; and 4) that the deployed technology and billing systems are unlikely to be identical to those deployed for full AMI implementation.

During the Docket No. 57 Public Hearing, held on December 4, 2007, the Division of the Public Advocate and the Commission Staff stated their preference for a pilot AMI program and Delmarva stated its preference to monitor and study pilot and full scale AMI efforts being conducted elsewhere, rather than to initiate another pilot. During the Hearing, Delmarva Witness Steve Sunderhauf stated that the real issue for any future Delmarva deployment of an AMI System in Delaware was not whether such a system would be deployed in Delaware, but rather when it would be deployed given the many customer benefits related to doing so. On December 19, 2006, the Delaware Commission Hearing Examiner assigned to Docket No. 57 issued his report to the Commission, summarizing the Working Group's Report and the comments made during the Public Hearing. The Hearing Examiner recommended the implementation of a Delmarva Delaware specific AMI pilot. During the Commission's Administrative Hearing on January 23, 2007, the Commission discussed Docket No. 57 and the Hearing Examiner's Report.

1. AMI Infrastructure

The Company intends to implement the deployment of an AMI system for all of its Delaware electric and gas customers starting in 2007. The Company's adoption of this approach is based upon its recent completion of a multi-year effort to examine the technical and

operational aspects of AMI systems, further development of AMI technology and supporting systems, and the increasing benefits associated with providing Delaware consumers with additional information about their electricity and gas consumption to control high energy bills.

Due to the magnitude, complexity, and importance of this project, Delmarva recommends that the Commission establish within 30 days an AMI working group comprised of representatives of Delmarva, the Commission Staff, the Division of the Public Advocate, the Delaware State Energy Office, and any organizations the Commission deems appropriate. This working group would be tasked with working collaboratively with Delmarva to develop a detailed AMI project plan that would be submitted to the Commission for review by June 1, 2007. After vendor selections are made, the working group would assist Delmarva in the development of a detailed implementation plan that would include refined project cost estimates. This implementation plan would be shared with the Commission for its review.

The recommended list of near-term tasks for the working group includes the following:

- Understand Customer Requirements'
- Establish Recommended Systems Capabilities'
- Review Available Technology and Communications Systems'
- Participate in Vendor Delmarva RFP Development;
- Develop Detailed Project Plan (including project timelines);
- Review Vendor Proposals;¹⁰
- Refine Project Cost Estimates;¹¹
- Assist Delmarva Staff in the Preparation of a Detailed Implementation Plan for Commission Review.

¹⁰ Working group members will be invited to participate in vendor presentations and the review of proposals.; however, Delmarva's technical staff will be responsible for the evaluation, vendor negotiations, and final vendor selection. The Company will present the rationale for this selection to the members of the working group.

¹¹ Final project cost estimates will be available after vendor selection and negotiations have been completed.

2. Project Timeline

Delmarva has developed a recommended timeline for AMI deployment that would complete all meter installations¹² within a three-year period or by year-end 2010, if field begins during 2008. This schedule is presented in Exhibit 2.

Exhibit 2
AMI Deployment Timeline

AMI Full Scale Deployment (FSD)	Months																																					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36		
1 Establish Project Team (Delmarva/Working Group)																																						
2 Develop Project Plan (Delmarva/Working Group)																																						
3 Develop Functional Requirement Specification (FRS) (Delmarva)																																						
4 Prepare-issue the RFPs: AMI, MDMS, Field Installation (Delmarva)																																						
5 Bidder prepare and submit proposal (Vendors)																																						
6 Proposal assessment (Delmarva/Working Group)																																						
7 Due diligence: vendor (Delmarva)																																						
8 Final supplier selection (Delmarva)																																						
9 Selected Vendor Negotiations (Delmarva)																																						
10 Implementation planning (Delmarva/Working Group)																																						
11 Contract signing (Delmarva/Vendor)																																						
12 Testing: Factory/System Acceptance (Delmarva/Vendor)																																						
13 Field deploy: 15 mo., 303,000 elec./126,000 gas meters (Delmarva)																																						
14 MDMS installation and IT system integration																																						
15 Operational use																																						
16 Final Acceptance test																																						

3. AMI Implementation Cost

The Company currently estimates that a universal deployment of AMI for all of its 429,000 Delaware electric and gas distribution meters will be approximately \$100 million depending upon system capability and configuration. The major components of this cost include new smart meters with household communications links, communication equipment and the build out of the local area network ("LAN"), software, and the wide-area network ("WAN"). It is important to recognize that Delmarva will not be able to provide refined project cost estimates until vendor selection and contract negotiations have been completed. The purchase and installation of a meter data management system ("MDMS") will also be required to process the significant quantities of meter data collected through the AMI system. Based on full implementation, the Delmarva Delaware allocated cost for the MDMS is approximately \$2.2 million.¹³ Potential additional expenses not reflected would be incurred for Control Center software for an outage management system, upgrades to the utility settlement system, future billing system upgrades or replacement, customer educational materials, utility personnel training, and any deployed demand response technology.

Delmarva's demand-side management program proposals contained in this filing include preliminary cost estimates for the installation of remotely controllable programmable thermostats

¹² A limited number of meters may require additional installation time due to access or location problems.

¹³ The total cost of a MDMS system is estimated to be \$10 million. Ultimately, Delmarva proposes to spread this cost across all of the Pepco Holdings, Inc. electric distribution companies and the jurisdictions that adopt the Blueprint for the Future. However, it should be noted that if Delmarva is only able to install an AMI System in Delaware, the entire cost of the MDMS would be assigned to the Company's Delaware customers.

for residential and small commercial customers. These smart thermostats will permit Delmarva to further enhance its existing Energy for Tomorrow Program to reduce air conditioning load during periods of high electricity demand and to serve as an easy mechanism for customers to control both their overall electric and gas cooling and heating costs.

4. AMI and Related Technology

The primary component of an AMI System is the communication system. At this time, five alternative communication methods exist, power line communications, broadband over power line, radio, and systems using cellular and/or landlines. Under power line carrier, data pass through the electric distribution network and are gathered at electric distribution substations for transmittal back to the utility. Broadband over power line ("BPL") permits a greater quantity of digital data to be passed through the electric distribution network; however the data are filtered by utility transformers necessitating the installation of equipment to bypass each transformer. BPL also offers the ability to provide high speed internet access, cable television, and telephone communications.

BPL systems are more expensive to install than other AMI communications systems due to the additional required equipment. Delmarva's sister utility, Pepco, has participated in a BPL test in Montgomery County, Maryland for several years. Radio based systems directly communicate with individual meters. Mesh systems permit meters that are unable to directly communicate with the radio tower due to interference to communicate with nearby meters that have the capability of passing data to the towers. Alternative radio communication techniques for difficult to communicate meters is the installation of additional antenna or special data collectors that have the capability of communicating with the towers. A radio communication system has been selected for Pepco's smart meter pilot program in the District of Columbia. Cellular or landline systems typically rely on available communication networks established by cellular telephone companies and hard-wired telephone systems. The limitations of these systems include monthly access fee expense, rapidly changing cellular communication protocols, and cellular service coverage limitations.

Any deployment of advanced metering infrastructure could include one or more of these communication systems. For example in Delaware, a Delmarva AMI deployment might rely upon a radio system in densely settled urban areas and power line carrier in more sparsely settled rural areas, where radio coverage is more limited.

A key AMI deployment decision will be the installation of a one-way versus two-way system. The advantages of two-way communications include the following capabilities: remote turn on/off, the ability to send price signals directly to customers, the ability to verify power restoration, and the ability to verify directly connected demand response enabling technology. The considerable operational advantages related to the installation of a two-way system will have to be compared to its greater expense.

5. AMI Benefits

Delmarva has identified the following major benefits that could be derived from the universal deployment of an AMI System in Delaware.

- Remote Meter Reading
 - Eliminate need for meter reader to read the meter: A permanent AMI communication network can exchange data with meters and virtually eliminate the need for any utility employee or utility contractor to access the meters on a monthly basis for meter reading. Customer benefits include increased customer security, minimized billing anomalies (misread, estimated read etc.), and virtually eliminated meter access issues, immediate response to high bill inquiries, thereby increasing overall Delmarva customer service and resulting customer satisfaction.
 - Permits more frequent readings: An AMI system creates customer benefits by reading the meter on a daily basis to collect hourly electricity readings and daily gas consumption readings. This supports the provision of additional energy consumption data to customers to improve their ability to control energy costs. An AMI System's ability to collect interval data on a daily basis creates a valuable database. This rich database, in conjunction with an internet accessible energy services portal, enables customers to readily determine how and when they use energy and to develop strategies for lowering their bills.
 - Supports enhanced customer service capabilities: Resulting customer service improvements are expected to include customer selectable billing dates, improved utility response to high bill inquiries, the ability to readily obtain meter readings that coincide with customer requested move dates, and the rapid utility notification of customer outages.
 - Improves reading accuracy: An AMI system improves the accuracy of meter readings and, thereby, the calculation of all customer bills.
 - Discovers malfunctioning meters: An AMI system includes numerous processes to verify that the meter is recording properly. Each meter includes software designed to detect meter and communication malfunctions that can be directly reported to the utility.
 - Provides additional customer specific load research data: AMI systems are designed to support customer specific load research by compiling interval data for all customers. The data can be used by Delmarva's distribution and transmission system planners to optimize the design of the electric system. Competitive electricity and gas suppliers can use the data to refine their price offers to customers. Wholesale electricity suppliers participating in the SOS bid process can improve their price bids based on the data. Additionally, the interval data supports the evaluation of the impact of both energy efficiency and demand response programs.

- Demand Response
 - Integration of AMI System with demand response enabling technology: AMI systems can support the installation of demand response technology, such as remotely controllable programmable thermostats, to directly reduce customer electricity demand during periods of high electricity demand.
 - Supports demand response through pricing options that more closely track wholesale electricity market supply conditions: Examples of effective voluntary rate options that directly reflect existing electricity market conditions include: hourly pricing, critical peak pricing, and critical peak load reduction rebates. These alternative rate mechanisms can be designed to reflect either day-ahead or real-time PJM Delmarva Zonal Locational Marginal Prices. Participants in these rate options can reduce their monthly electricity bills by reducing their electricity consumption during high priced periods and thereby place significant downward pressure on regional electricity energy and capacity prices – benefiting all Delmarva customers. These rate options combined with the availability of direct load control technology are a powerful tool for reducing the overall peak electricity demand in Delaware, in a customer friendly manner.
 - Enhances customer control over monthly bills through additional billing information regarding electricity consumption: As discussed above, AMI enables utilities to empower better customer control over energy costs in ways as simple as showing the customer on their monthly billing statements when they use energy.
- Distribution System Monitoring
 - Improving distribution system design, reliability and performance: Smart Grid concepts are now available that permit the utility to deploy an array of sensors and control devices supported by AMI Systems to provide additional near real-time monitoring. Examples include transformer load management, feeder load analysis, recloser control, fault indicator monitoring, voltage and phase monitoring, and capacitor bank switch control for improved voltage stability.
- Distribution System Asset Management
 - Outage Reporting: Supports more rapid customer restoration time: An AMI system can detect outages without customer calls. This enables Delmarva to respond to outages as quickly as possible and often before the customer even knows an outage has occurred. AMI systems are also capable of reporting momentary outages that could indicate a loose conductor coupling, cracked conductor or other service issues including a rubbing tree branch.
 - Repair crews can be dispatched with improved accuracy: AMI data allows utilities to dispatch repair crews in a more efficient manner. The data permits the utility to acquire outage data within minutes of an event -- permitting Delmarva to determine the type of repair likely to restore power most quickly to the greatest number of customers. Customer benefits from this include minimization of

outage inconvenience, reduction in lost revenues, and minimization of lost product (restaurants, manufacturing etc).¹⁴

- Remote Service Disconnect
 - Reduces utility service visits: AMI coupled with remote Service Connect and Disconnect ("SCD") allows the utility to remotely disconnect customers. This enables the utility to disconnect service for a departing customer and thereby lessening disagreements over departing/arriving customer energy use. Additionally the utility can turn on service for a new customer virtually in real time rather than the customer having to wait for a utility crew to perform the task. This increases customer satisfaction while reducing utility costs especially for locations with high levels of SCD activity. AMI enables a future vision of self service for many activities allowing customers greater flexibility and increased satisfaction.

Similarly, AMI can reduce service calls and outages attributable to a customer based outage event such as a circuit breaker opening during a storm. Most customers assume the problem is utility based and the normal process is for the utility to dispatch a field crew. Conceptually, an AMI system could be used by a CSR for a real time meter service audit to determine if power is being supplied and if the meter is operational and has not lost supply to a meter leg. In these events the service can be restored in minutes without the need or expense of a field crew visit.

- Tamper Detection
 - Informs utility of possible meter tampering: AMI systems are designed to support revenue assurance and the minimization of meter tampering. This is accomplished with sensors that can detect some of the major methods of tampering to detect anomalous patterns of energy use that are otherwise difficult or expensive to detect. This helps to ensure that other customers are not unfairly burdened.
- Supports Other Rate Options
 - Renewable Generators

Pricing tariffs that reward renewable generators for their production of electricity during periods of high energy prices can be supported. This is particularly valuable for resources such as photovoltaic systems, which supply energy during the day. Additionally, utility monitoring of the production of all distributed generators can be remotely monitored.

¹⁴ Pennsylvania Power and Light claims that its Hurricane Isabel efforts were substantially aided by its AMI system to the tune of an estimated 10% reduction in restoration costs and a 6 hour improvement in system wide recovery.

- Plug-In Vehicles

Rate designs that support the use of plug-in vehicles through pricing that is substantially lower during nights and weekends can be readily accommodated.

BLUEPRINT FOR THE FUTURE PLAN
PROPOSALS FOR ELECTRIC VEHICLES
AND NET ENERGY METERING

A. Electric Vehicles

Delmarva Power anticipates a surge in growth of electric powered vehicles in Delaware in the near term, as a result of General Motors, Toyota and other vehicle manufacturers bringing plug-in hybrids and electric drive vehicles to the market.

Delaware Customers will be able to recharge their vehicles via power metered through a second meter installed for the Customer that limits recharging to the hours between midnight and 6:00 a.m. The Company anticipates offering a new Electric Vehicle tariff with rates similar to the rates currently available in the Residential Time-of-Use, Super-Off-Peak tariff; the Customer charge is \$11.32 per month and the cost per kWh equates to less than 5 cents per kWh.

The proposed tariff would be implemented once advanced metering was completed, to enable the time of use component of this application.

B. Net Energy Metering

Net Energy Metering is used by the Company to enable customer sited generation on our system. It is a good tool to enable renewable energy resources for our customers. We believe that our advanced metering will enhance our ability to encourage Net Energy Metering customers to provide added generation during peak periods and receive larger credits as a result.

Senate Bill No. 8 was recently introduced. As proposed the bill recommends enhancements to the Net Energy Metering tariff for all Delaware Electric Power Customers. Delmarva Power feels the increased maximum system size moving from 25 kW to 2 MWs is a step in the right direction to encourage more Delmarva Power Customers to adopt renewable generation systems including wind, photovoltaic solar or hydro power.

Red-line and revised versions of Leaf Nos. 102 and 104 are included herein. These proposed changes move towards a more progressive tariff that enables additional renewable on-site generation to be built in Delaware.

**NET ENERGY METERING
PROPOSED TARIFF**

RIDER "NEM"

NET ENERGY METERING RIDER

A. Availability

This Rider is available to any Customer served under Service Classifications "R", "R-TOU", "R-TOU-ND", "R-TOU-SOP", "SGS-ND", ~~and "MGS-S", "LGS", "GS-P" and "GS-T"~~, who owns and operates an electric generation facility that:

1. Has a capacity of not more than ~~25 kilowatts~~ 2 megawatts;
2. Uses solar, wind, hydro or other forms of renewable resources as its primary source of fuel;
3. Is located on the Customer's premises;
4. Is interconnected and operated in parallel with the Company's transmission and/or distribution facilities; and
5. Is intended primarily to offset all or part of the Customer's own electricity requirements.

This Rider is not available to Customers served under Service Classification "X", Cogeneration and Small Power Production.

B. Connection to the Company's System

Any

Customer who elects this Rider must submit a completed interconnection application, to be reviewed by the notify the Company, in writing, at least 30 days prior to activating the electric generation facility. Information to be and included in the interconnection application: ~~notification; generator n~~ the size, type, manufacturer and manufacturer specifications of all components of the electric generation facility. The electric generation facility shall not be connected and operated in parallel to the Company's system unless it meets all applicable safety and performance standards established by the National Electric Code, The Institute of Electrical and Electronics Engineers, Underwriters Laboratories, and as currently detailed in the Technical Considerations Covering Parallel Operations of Customer Owned Generation dated January 19, 2000, and the applicable codes of the local public authorities. Special attention should be given to the National Electrical Code Sections 690 and 705. The Customer must obtain, at the Customer's expense, all necessary inspections and approvals required by the local public authorities before the electric generation facility is connected to the Company's electric system. The electric generation facility shall be connected in parallel operation with the Company's electric system and shall have adequate protective equipment as described in Section G below.

C. Delivery Voltage

Delmarva Power & Light Company
Appendix, In the Matter of Delmarva's Blueprint for the Future Plan
Filed February 6, 2007

The delivery voltage of the electric generation facility shall be at the same voltage level and at the same delivery point as if the Customer were purchasing all of its electricity from the Company.

D. Contract Term

The contract term shall be same as that under the Customer's applicable Service Classification.

E. Monthly Rates, Rate Components and Billing Unit Provisions

The monthly rates, rate components and billing unit provisions shall be those as stated under the Customer's applicable Service Classification. Under this Rider, only the per kilowatt-hour charge components of the Customer's bill are affected. The monthly charges shall be based on one the following conditions:

Filed February 6, 2007 ~~June 12, 2006~~ Effective with Meter Readings On and After ~~March ##, 2007~~ July 1, 2006

~~Proposed Filed in Compliance with Order Nos. 6903 and 6930 in Docket No. 05-304~~

RIDER "NEM"

NET ENERGY METERING RIDER - (Continued)

G. Protective Equipment and Cessation of Parallel Operation

Interconnection with the Company's system requires the installation of protective equipment which provides safety for personnel, affords adequate protection against damage to the Company's system or to the Customer's property, and prevents any interference with the Company's supply of service to other Customers. Such protective equipment shall be installed, owned and maintained by the Customer at the Customer's expense. The Customer's equipment must be installed and configured so that parallel operation must cease immediately and automatically during system outages or loss of the Company's primary electric source. The Customer must also cease parallel operation upon notification by the Company of a system emergency, abnormal condition, or in cases where such operation is determined to be unsafe, interferes with the supply of service to other Customers, or interferes with the Company's system maintenance or operation. Generation systems and equipment that comply with the standards established in Section B shall be deemed by the Company to have generally complied with the requirements of this section. For systems not covered by the standards in Section B, the "Technical Requirements" shall apply.

H. Modification of the Company's System and Liability

If it is necessary for the Company to extend or modify portions of its systems to accommodate the delivery of electricity from the electric generation facility, such extension or modification shall be performed by the Company at the Customer's expense. For new services, such expense shall be determined by the difference between total costs and the investment the Company would make to install a normal service without the Customer's electric generation facility.

The Company accepts no responsibility whatsoever for damage or injury to any person or property caused by failure of the Customer to operate in compliance with Company's requirements. The Company shall not be liable for any loss, cost, damage or expense to any party resulting from the use or presence of electric current or potential which originates from the Customer's electric generation facility, except as the Company would otherwise be liable under the Company's Delaware electric tariff. Connection by the Utility under this Rider does not imply that the Utility has inspected or certified that any Customer-generator's facility has complied with any necessary local codes or applicable safety or performance standards. All inspections, certifications and compliance with applicable local codes and safety requirements are the sole responsibility of the Customer-generator and must be provided to the Company prior to system acceptance and parallel operation with the utility system.

I. Failure to Comply

If the Customer fails to comply with any of the requirements set forth in sections G and H above, the Company may disconnect the Customer's service from the Company's electric system until the requirements are met, or the electric generation facility is disconnected from the Customer's electric system.

J. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all services, including any applicable electric supply services, rendered hereunder, unless the Customer is exempt from such tax.

K. Rules and Regulations

The Rules and Regulations set forth in this tariff shall govern the provision of service under this Service Classification.

Filed February 6, 2007~~June 12, 2006~~ Effective with Meter Readings On and After March ##, 2007~~July 1, 2006~~

Proposed~~Filed in Compliance with Order Nos. 6903 and 6930 in Docket No. 05-304~~

RIDER "NEM"

NET ENERGY METERING RIDER

A. Availability

This Rider is available to any Customer served under Service Classifications "R", "R-TOU", "R-TOU-ND", "R-TOU-SOP", "SGS-ND", "MGS-S", "LGS", "GS-P" and "GS-T", who owns and operates an electric generation facility that:

1. Has a capacity of not more than 2 megawatts;
2. Uses solar, wind, hydro or other forms of renewable resources as its primary source of fuel;
3. Is located on the Customer's premises;
4. Is interconnected and operated in parallel with the Company's transmission and/or distribution facilities; and
5. Is intended primarily to offset all or part of the Customer's own electricity requirements.

This Rider is not available to Customers served under Service Classification "X", Cogeneration and Small Power Production.

B. Connection to the Company's System

Any Customer who elects this Rider must submit a completed interconnection application, to be reviewed by the Company, prior to activating the electric generation facility. Information to be included in the interconnection application: generator size, type, manufacturer and manufacturer specifications of all components of the electric generation facility. The electric generation facility shall not be connected and operated in parallel to the Company's system unless it meets all applicable safety and performance standards established by the National Electric Code, The Institute of Electrical and Electronics Engineers, Underwriters Laboratories, and as currently detailed in the Technical Considerations Covering Parallel Operations of Customer Owned Generation dated January 19, 2000, and the applicable codes of the local public authorities. Special attention should be given to the National Electrical Code Sections 690 and 705. The Customer must obtain, at the Customer's expense, all necessary inspections and approvals required by the local public authorities before the electric generation facility is connected to the Company's electric system. The electric generation facility shall be connected in parallel operation with the Company's electric system and shall have adequate protective equipment as described in Section G below.

C. Delivery Voltage

The delivery voltage of the electric generation facility shall be at the same voltage level and at the same delivery point as if the Customer were purchasing all of its electricity from the Company.

D. Contract Term

The contract term shall be same as that under the Customer's applicable Service Classification.

E. Monthly Rates, Rate Components and Billing Unit Provisions

The monthly rates, rate components and billing unit provisions shall be those as stated under the Customer's applicable Service Classification. Under this Rider, only the per kilowatt-hour charge components of the Customer's bill are affected. The monthly charges shall be based on one the following conditions:

Filed February 6, 2007

Effective with Meter Readings On and After March ##, 2007

Proposed

RIDER "NEM"

NET ENERGY METERING RIDER - (Continued)

G. Protective Equipment and Cessation of Parallel Operation

Interconnection with the Company's system requires the installation of protective equipment which provides safety for personnel, affords adequate protection against damage to the Company's system or to the Customer's property, and prevents any interference with the Company's supply of service to other Customers. Such protective equipment shall be installed, owned and maintained by the Customer at the Customer's expense. The Customer's equipment must be installed and configured so that parallel operation must cease immediately and automatically during system outages or loss of the Company's primary electric source. The Customer must also cease parallel operation upon notification by the Company of a system emergency, abnormal condition, or in cases where such operation is determined to be unsafe, interferes with the supply of service to other Customers, or interferes with the Company's system maintenance or operation. Generation systems and equipment that comply with the standards established in Section B shall be deemed by the Company to have generally complied with the requirements of this section. For systems not covered by the standards in Section B, the "Technical Requirements" shall apply.

H. Modification of the Company's System and Liability

If it is necessary for the Company to extend or modify portions of its systems to accommodate the delivery of electricity from the electric generation facility, such extension or modification shall be performed by the Company at the Customer's expense. For new services, such expense shall be determined by the difference between total costs and the investment the Company would make to install a normal service without the Customer's electric generation facility.

The Company accepts no responsibility whatsoever for damage or injury to any person or property caused by failure of the Customer to operate in compliance with Company's requirements. The Company shall not be liable for any loss, cost, damage or expense to any party resulting from the use or presence of electric current or potential which originates from the Customer's electric generation facility, except as the Company would otherwise be liable under the Company's Delaware electric tariff. Connection by the Utility under this Rider does not imply that the Utility has inspected or certified that any Customer-generator's facility has complied with any necessary local codes or applicable safety or performance standards. All inspections, certifications and compliance with applicable local codes and safety requirements are the sole responsibility of the Customer-generator and must be provided to the Company prior to system acceptance and parallel operation with the utility system.

I. Failure to Comply

If the Customer fails to comply with any of the requirements set forth in sections G and H above, the Company may disconnect the Customer's service from the Company's electric system until the requirements are met, or the electric generation facility is disconnected from the Customer's electric system.

J. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all services, including any applicable electric supply services, rendered hereunder, unless the Customer is exempt from such tax.

K. Rules and Regulations

The Rules and Regulations set forth in this tariff shall govern the provision of service under this Service Classification.

Filed February 6, 2007

Effective with Meter Readings On and After March ##, 2007

Proposed

BLUEPRINT FOR THE FUTURE PLAN

PROPOSED COST RECOVERY

A. BSA Mechanism

The Company has proposed a Bill Stabilization Adjustment ("BSA"), a billing adjustment to be applied on a quarterly basis for all customers. The initial and most visible benefit of the BSA is to reduce the volatility in the distribution charge on customer bills. In severe weather in which customers face sharply higher bills, the BSA will reduce the payments that would otherwise be due. Conversely under the BSA, customers will pay more for delivery in mild weather than they would otherwise, but their overall bills will still be down compared to what they would be with normal weather. In short, customers' bill variability is somewhat decreased.

The BSA is intended to stabilize revenue fluctuations resulting from unanticipated changes in usage, and ensures that the Company only recovers the Commission approved level of distribution costs. In essence, the BSA provides for decreases in delivery rates if actual revenues per customer are above the Commission approved level, and it provides for increases in delivery rates if actual revenues per customer are below the Commission approved level.

The BSA, as proposed by the Company, creates an adjustment to customers' bills that is designed to reflect differences between Commission-approved delivery revenue levels and actual delivery revenues. This is good for the customer because the Company's customers will pay only the amount determined by the Commission as required to provide safe and reliable service. This is a benefit to the Company because the Company can maintain a stable revenue stream year-to-year. The BSA provides the Company with a stream of revenues consistent with the costs of providing safe and reliable service. The Company's costs for providing service are generally fixed, regardless of the volume of sales that the Company delivers to its customers. This proposal provides for a matching of revenues in quarterly periods, with the corresponding amounts that the Commission has approved as adequate compensation for providing service. Thus, both customers and the Company are better off under the mechanism. The mechanism also protects the Company from ongoing attrition due to the reduced usage of customers. This will help avoid frequent rate cases and the attendant costs.

The BSA will promote demand side management measures. In this filing, the Company is proposing development of electric energy efficiency measures and demand response services for residential and small commercial customers, as part of an overall response to the recent increases in supply prices. Demand side management programs reduce sales and, consequently, revenues and fixed cost recovery decline. This creates a disincentive for the utility to consider demand side resources. The existing rate structure provides strong incentives for utilities to sell as much electricity as possible in order to maximize profit. The BSA removes the incentive for the Company to maximize its sales in order to benefit shareholders. Without the BSA, the Company's shareholders benefit with each additional kWh delivered. With the BSA, the link between increased sales and profits is broken. The Company's interest in helping its customers use energy wisely and efficiently is no longer at seeming odds with the interests of shareholders. By decoupling the Company's revenues from changes in the volume of electricity delivered to customers, the adoption of the BSA aligns the Company's interests with the interests of the

customer. The adoption of the BSA mechanism is a critical component of the Company's overall proposal to institute conservation programs to help customers meet the challenges of the current high costs of energy, without conflicting with the interests of shareholders.

The issues described above are not unique to Delmarva; many other utilities across the country, both gas and electric, are in a similar position, and have developed a variety of approaches to address the over-recovery and under-recovery issue and the disincentive towards demand side resources. The issue of the mis-match between the structure of costs and rates has long been faced by gas distribution utilities, since gas unbundling preceded electric unbundling. Hence, many gas distribution utilities have implemented these mechanisms. Broadly speaking, the approaches can be categorized as follows:

- Weather Normalization Clauses – riders that correct for weather related changes in usage;
- Revenue Decoupling Tariffs – riders that correct for any differences in the usage levels built into base rates;
- Return Stabilization Mechanisms – expedited rate proceedings or riders that correct for both differences in usage and differences in cost;
- Fixed Variable Rate Design – changes in base rates that shift all fixed costs into fixed rate elements; and,
- Increased Customer Charge – shift additional fixed costs in the customer charge.

While different approaches to address this issue have strengths and weaknesses, the Company's proposal is particularly appropriate. In principle, rate structure changes that collect all of the fixed costs in a fixed charge would provide for the best alignment of costs and rates. That approach would, however, significantly increase rates for small usage customers. Stabilizing the return also addresses the problem, but removes the incentive for a utility to manage costs. The BSA approach represents an appropriate balance between the objectives of cost alignment, gradualism and efficiency.

It is important to keep in mind that the BSA would only be applicable to the distribution portion of the customer's bill; currently, the distribution portion accounts for only 22% of the average residential customer bill. The supply portion of the bill, which accounts for almost 78%, would not be subject to the BSA. This has several important ramifications. First, customers still have a strong incentive to use energy efficiently, based on the savings associated with the supply side of the bill. Second, by being applicable to only the distribution portion of the bill, the BSA should create minimal fluctuation in the total amount of a customer's bill.

When implemented the Company's BSA proposal is expected to have the following impact: 1) Customer bills will be more stable; 2) Revenues will be better aligned with costs; 3)

Disincentives toward energy efficiency will be reduced; and, 4) The Company will be better able to recover its fixed costs.

BSA is a billing adjustment to be applied on a quarterly basis to the distribution charge for customers in Service Classifications R, R-TOU-ND, SGS-ND, GS-SH, GS-WH, MGS, LGS and GS-P. The adjustment will not be applicable to lighting service classifications OL or ORL, due to the relatively constant level of usage for these classes. In addition, BSA it will not be applicable to service classifications R-TOU, R-TOU-SOP and GS-T due to the relatively small number of customers in those classifications. Excluding these service classifications from the BSA prevents the potential for a large usage swing of a single customer being unduly absorbed by the small number of remaining customers. The adjustment is intended to stabilize revenue based on the test year revenue per customer resulting from the base rates approved in this proceeding.

The BSA will be calculated on a quarterly basis and will be developed separately for each of the service classifications identified above. For each quarter, the approved test year revenue per customer for each service classification is applied to the actual number of customers in the billing quarter to arrive at target revenue for each service classification. The difference between the total quarterly target revenue and the actual quarterly revenue forms the basis for the BSA for the given quarter. To avoid unduly large swings in the BSA from quarter to quarter, the Company proposes to cap the level of the BSA charge or credit at 10% of the test year average rate for the applicable quarter for each rate class. This capping mechanism will result in a level of charge or credit which will be carried over into a subsequent quarter's adjustment. This amount is added to the revenue difference. In addition to the carryover due to the capping mechanism, an adjustment will be necessary each quarter to true up for over or under collections in the BSA in prior quarters. The over/under balances will also be added to the revenue differences to arrive at a final BSA revenue target for each rate class for the current billing quarter. The revenue is divided by projected sales for the upcoming quarterly bill period. As noted previously, this rate will be compared to 10% of the rate class test year average quarterly rate to determine the final BSA for the quarter.

Schedule BSA-1 provides a series of work papers providing an illustrative example of the BSA calculation, using test year data from the Company's recent Distribution Case (Docket No. 05-304) and currently approved distribution rates. For an indication of how the proposed DSM programs would impact the BSA mechanism, the example uses actual sales and customer data from the most recently available 12 month period, adjusted to take into account the estimated total energy reduction associated with proposed residential DSM programs. This approach provides an indication of the impact on revenues associated with the BSA mechanism.

Schedule BSA-2 shows the impact of the BSA on the monthly bill of a residential non-space heating customer who can take advantage of the estimated energy savings associated with the variety of the proposed DSM programs. The results show that, to an individual customer, the impact of the BSA mechanism is relatively minor when compared to the total bill savings associated with reduced energy consumption. In the example shown, for a customer who participates in all the DSM programs, the annual BSA would total approximately \$6, while

energy savings would amount to almost \$472. Obviously, these levels will vary based on individual customer use and overall level of program participation; however, they are indicative of the relatively small bill impact resulting from the BSA.

In summary, as outlined in this filing, the BSA mechanism proposed by the Company addresses the following issues and includes the following features:

- It addresses the issue of recovering essentially fixed costs via a rate structure which is dependent on volumetric components. It also places the Company in an economic and financial position to be a stakeholder in the promotion of energy efficiency measures.
- It provides customers with reasonably stable bills over the course of a year. The mechanism appropriately considers each service classification on an individual basis. Additionally, an effort has been made to identify and exclude rate classes which, due to size or usage characteristics, may not benefit from the BSA.
- The mechanism is understandable and verifiable based on available accounting data.
- By calculating the adjustment on a quarterly basis, the adjustment is timely, but also includes the benefit of tempering volatility associated with monthly usage variations. In addition, even though the mechanism is applicable to a relatively small portion of a customer's bill, it includes a cap to further prevent the potential for rate shock.

Tariff Sheets filed with this proceeding contain a new Rider pertaining to the BSA.

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**BILL STABILIZATION ADJUSTMENT
PROPOSED TARIFF SHEET**

RIDER "BSA"

BILL STABILIZATION ADJUSTMENT

A. Bill Stabilization Adjustment

The Distribution Charges billed under the Company's Service Classifications R, R-TOU-ND, SGS-ND, MGS-S, GS-SH, GS-WH, LGS and GS-P shall be subject to a Bill Stabilization Adjustment (BSA). The BSA shall be computed quarterly for application in the second succeeding billing quarter. It shall consist of a factor designed to reflect differences between test year and actual base rate revenues, plus a factor designed to reconcile prior period Bill Stabilization Adjustments with actual billed BSA adjustments. The BSA charge or credit shall be applied to monthly bills beginning with the billing month of XXX, 2007.

B. Calculation of BSA

(1) The BSA shall be computed by dividing the difference between the actual quarterly revenue and the test year revenue, plus any applicable trueup amount from previous quarters, by the forecast billing units (kWh or kW) applicable to the service classification for the second succeeding quarter. The test year revenue is defined as quarterly sum of the product of the average revenue per customer for the each billing month in the current quarter at rates approved in the latest base rate proceeding and the number of customers for each corresponding billing month in the current quarter.

(2) Formulaically:

$$BSA = \frac{A - \sum_m (B_m * C_m) + D}{E}$$

Where:

BSA = the quarterly Bill Stabilization Adjustment factor for the class in \$ per kWh or kW

A = Quarterly Distribution Revenue in \$ (actual revenue for Months 1 and 2 of each quarter, budget revenue for Month 3, subject to reconciliation in succeeding quarter)

B = Average Distribution revenue per customer for the corresponding month in the test period

C = Class customer count for the corresponding month in the current billing quarter

D = cumulative true-up for over/under-collections in previous quarters in \$

E = Service Classification Billing Unit (kWh or kW) for the succeeding quarter

- (3) The amount of the adjustment factor for any rate schedule may not exceed + /- 10% of the average test year rate per kWh or per kW, for the associated Service Classification. Any excess amount above the cap shall be collected in a subsequent quarter.

Filed

Effective

RIDER BSA

BILL STABILIZATION ADJUSTMENT (continued)

C. FILING

The Company shall file quarterly with the Commission a copy of the computation of the BSA current factors and/or reconciliation factors at least ten days prior to application on customers' bills. The Company shall furnish Commission Staff sufficient workpapers for the review and audit of the BSA.

**SAMPLE BSA CALCULATION
EXCEL SPREADSHEET**

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Schedule BSA-1
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Sample Bill Stabilization Adjustment (BSA) Calculation - Initial Quarter Applied in First Succeeding Quarter

	R	RSR	R-TOUND	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
1 Actual Calendar Quarter Distribution Revenue	\$ 13,955,701	\$ 5,845,833	\$ 8,787	\$ 1,733,874	\$ 100,778	\$ 3,008	\$ 4,912,681	\$ 1,295,364	\$ 4,110,159
2 Test Year Average Revenue per Customer	\$ 23.46	\$ 26.35	\$ 26.30	\$ 31.69	\$ 33.68	\$ 11.20	\$ 137.47	\$ 826.32	\$ 2,720.38
3 Current Quarter No. of Customers	188,653	70,455	108	18,410	867	94	11,247	360	493
4 Normalized Revenue (2x3)	\$ 13,276,290	\$ 5,568,635	\$ 8,495	\$ 1,750,372	\$ 87,575	\$ 3,158	\$ 4,638,420	\$ 891,603	\$ 4,020,724
5 Carryover from Prior Quarter(s) Excess Over Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reconciliation of Prior Quarter BSA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 BSA Adjustment (4-1+5+6)	\$ (679,411)	\$ (277,198)	\$ (292)	\$ 16,498	\$ (13,204)	\$ 151	\$ (274,260)	\$ (403,761)	\$ (95,435)
8 Budget Sales/Demand for 2nd succeeding quarter	459,991,951	354,655,473	409,412	36,708,950	9,205,786	266,144	282,167,506	137,301,831	644,598,908
9 Factor (\$/kwh or \$/kV) (7/8)	\$ (0.001477)	\$ (0.000782)	\$ (0.000713)	\$ 0.000449	\$ (0.001434)	\$ 0.000566	\$ (0.000972)	\$ (0.002941)	\$ (0.000148)
10 Factor Cap - 10% of Test Year Average Rate	\$ 0.003187	\$ 0.002187	\$ 0.002369	\$ 0.004459	\$ 0.001470	\$ 0.001470	\$ 0.001721	\$ 0.000935	\$ 0.000636
11 Excess Over Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.002006)	\$ -
12 Amount Applied to Future Month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (275,364)	\$ -
13 Net Factor	\$ (0.001477)	\$ (0.000782)	\$ (0.000713)	\$ 0.000449	\$ (0.001434)	\$ 0.000566	\$ (0.000972)	\$ (0.000935)	\$ (0.000148)
14 Revenue Conversion Factor	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302
15 Adjusted Factor	\$ (0.001481)	\$ (0.000784)	\$ (0.000715)	\$ 0.000450	\$ (0.001438)	\$ 0.000568	\$ (0.000975)	\$ (0.000938)	\$ (0.000148)

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DELMARVA POWER & LIGHT COMPANY
Delaware - Electric

Sample Bill Stabilization Adjustment (BSA) Calculation - Subsequent Quarters Applied in Next Succeeding Quarter

Schedule BSA-1
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	R	RSH	R-TOU-ND	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
1 Actual Calendar Quarter Distribution Revenue	\$ 13,955,701	\$ 7,969,497	\$ 9,658	\$ 1,731,797	\$ 135,340	\$ 3,913	\$ 4,879,776	\$ 1,306,501	\$ 4,054,498
2 Test Year Average Revenue per Customer	\$ 26.45	\$ 42.31	\$ 29.91	\$ 38.99	\$ 61.28	\$ 13.53	\$ 140.20	\$ 1,185.10	\$ 2,701.78
3 Current Quarter No. of Customers	189,579	70,803	108	17,778	861	94	12,024	363	497
4 Normalized Revenue (2x3)	\$ 15,043,598	\$ 8,987,144	\$ 9,692	\$ 2,079,588	\$ 158,342	\$ 3,801	\$ 5,056,976	\$ 1,291,754	\$ 4,025,648
5 Carryover from Prior Quarter(s) Excess Over Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (275,364)	\$ -
6 Reconciliation of Prior Quarter BSA	\$ (67,941)	\$ (27,720)	\$ (29)	\$ 1,650	\$ (1,320)	\$ 15	\$ (27,426)	\$ (12,840)	\$ (9,544)
7 BSA Adjustment (4-1+5+6)	\$ 1,019,955	\$ 989,927	\$ 5	\$ 349,451	\$ 21,681	\$ (97)	\$ 149,774	\$ (302,951)	\$ (38,384)
8 Budget Sales/Demand for 2nd succeeding quarter	381,541,913	190,104,704	300,726	32,336,469	5,433,077	206,685	286,074,488	131,649,350	646,200,460
9 Factor (\$/kwh or \$/KWH) (7/8)	\$ 0.002673	\$ 0.005207	\$ 0.000016	\$ 0.010807	\$ 0.003991	\$ (0.000467)	\$ 0.000563	\$ (0.002301)	\$ (0.000059)
10 Factor Cap - 10% of Test Year Average Rate	\$ 0.003276	\$ 0.002514	\$ 0.002608	\$ 0.004673	\$ 0.001470	\$ 0.001470	\$ 0.001869	\$ 0.000835	\$ 0.000628
11 Excess Over Cap	\$ -	\$ 0.002693	\$ -	\$ 0.006134	\$ 0.002521	\$ -	\$ -	\$ (0.001366)	\$ -
12 Amount Applied to Future Month	\$ -	\$ 512,020	\$ -	\$ 198,363	\$ 13,696	\$ -	\$ -	\$ (179,897)	\$ -
13 Net Factor	\$ 0.002673	\$ 0.002514	\$ 0.000016	\$ 0.004673	\$ 0.001470	\$ (0.000467)	\$ 0.000563	\$ (0.000935)	\$ (0.000059)
14 Revenue Conversion Factor	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302
15 Adjusted Factor	\$ 0.002681	\$ 0.002521	\$ 0.000016	\$ 0.004687	\$ 0.001475	\$ (0.000468)	\$ 0.000565	\$ (0.000837)	\$ (0.000059)

Calculation of Reconciliation

	R	RSH	R-TOU-ND	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
16 Actual BSA \$ for Current Quarter	\$ (611,470)	\$ (249,478)	\$ (263)	\$ 14,848	\$ (11,883)	\$ 136	\$ (246,834)	\$ (115,557)	\$ (85,892)
17 Expected BSA \$ for Current Quarter from page 1, line 7	\$ (679,411)	\$ (277,198)	\$ (292)	\$ 16,498	\$ (13,204)	\$ 151	\$ (274,260)	\$ (128,397)	\$ (95,435)
18 Difference (15 - 14)	\$ (67,941)	\$ (27,720)	\$ (29)	\$ 1,650	\$ (1,320)	\$ 15	\$ (27,426)	\$ (12,840)	\$ (9,544)

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Delaware - Electric

Sample Bill Stabilization Adjustment (BSA) Calculation - Subsequent Quarters Applied in Next Succeeding Quarter

Schedule BSA-1
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	R	RSR	R-TOUTD	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
1 Actual Calendar Quarter Distribution Revenue	\$ 13,955,701	\$ 4,997,536	\$ 8,051	\$ 1,578,664	\$ 79,875	\$ 3,039	\$ 5,030,779	\$ 1,293,744	\$ 4,126,483
2 Test Year Average Revenue per Customer	\$ 24.72	\$ 26.15	\$ 26.32	\$ 33.40	\$ 36.75	\$ 11.39	\$ 145.94	\$ 1,201.47	\$ 2,688.74
3 Current Quarter No. of Customers	189,841	70,840	107	17,781	857	93	12,164	362	501
4 Normalized Revenue (2x3)	\$ 14,077,104	\$ 5,557,078	\$ 8,423	\$ 1,781,563	\$ 94,516	\$ 3,168	\$ 5,325,362	\$ 1,304,793	\$ 4,041,169
5 Carryover from Prior Quarter(s) Excess Over Cap	\$ -	\$ 512,020	\$ -	\$ 198,363	\$ 13,696	\$ -	\$ -	\$ (179,897)	\$ -
6 Reconciliation of Prior Quarter BSA	\$ 101,996	\$ 47,791	\$ 0	\$ 15,109	\$ 799	\$ (10)	\$ 14,977	\$ (12,305)	\$ (3,839)
7 BSA Adjustment (4-1+5+6)	\$ 223,398	\$ 1,119,352	\$ 373	\$ 416,371	\$ 29,135	\$ 119	\$ 309,561	\$ (181,153)	\$ (89,154)
8 Budget Sales/Demand for 2nd succeeding quarter	637,915,610	283,211,210	436,499	39,241,777	8,406,401	155,801	332,872,438	154,207,115	746,147,081
9 Factor (\$/kwh or \$/kV) (7/8)	\$ 0.000350	\$ 0.004253	\$ 0.000855	\$ 0.010610	\$ 0.003466	\$ 0.000767	\$ 0.000930	\$ (0.001175)	\$ (0.000119)
10 Factor Cap - 10% of Test Year Average Rate	\$ 0.002992	\$ 0.002414	\$ 0.002456	\$ 0.004563	\$ 0.001470	\$ 0.001470	\$ 0.001662	\$ 0.000874	\$ 0.000563
11 Excess Over Cap	\$ -	\$ 0.001839	\$ -	\$ 0.006047	\$ 0.001996	\$ -	\$ -	\$ (0.000301)	\$ -
12 Amount Applied to Future Month	\$ -	\$ 483,993	\$ -	\$ 237,309	\$ 16,778	\$ -	\$ -	\$ (46,457)	\$ -
13 Net Factor	\$ 0.000350	\$ 0.002414	\$ 0.000855	\$ 0.004563	\$ 0.001470	\$ 0.000767	\$ 0.000930	\$ (0.000874)	\$ (0.000119)
14 Revenue Conversion Factor	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302
15 Adjusted Factor	\$ 0.000351	\$ 0.002421	\$ 0.000858	\$ 0.004576	\$ 0.001475	\$ 0.000769	\$ 0.000933	\$ (0.000876)	\$ (0.000119)

Calculation of Reconciliation

	R	RSR	R-TOUTD	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
16 Actual BSA \$ for Current Quarter	\$ 917,960	\$ 430,117	\$ 4	\$ 135,979	\$ 7,187	\$ (87)	\$ 134,797	\$ (110,749)	\$ (34,555)
17 Expected BSA \$ for Current Quarter from page 1, line 7	\$ 1,019,955	\$ 477,907	\$ 5	\$ 151,088	\$ 7,985	\$ (97)	\$ 149,774	\$ (123,055)	\$ (38,394)
18 Difference (15 - 14)	\$ 101,996	\$ 47,791	\$ 0	\$ 15,109	\$ 799	\$ (10)	\$ 14,977	\$ (12,305)	\$ (3,839)

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Delaware - Electric

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Sample Bill Stabilization Adjustment (BSA) Calculation - Subsequent Quarters Applied in Next Succeeding Quarter

	R	RSH	R-TOUND	SGS-S	GS-SH	GS-WH	MGS	LGS	GSP
1 Actual Calendar Quarter Distribution Revenue	\$ 13,955,701	\$ 6,318,614	\$ 10,583	\$ 1,821,852	\$ 123,588	\$ 2,291	\$ 5,632,954	\$ 1,367,958	\$ 4,302,867
2 Test Year Average Revenue per Customer	\$ 31.85	\$ 29.22	\$ 33.22	\$ 36.00	\$ 48.48	\$ 8.47	\$ 153.94	\$ 1,240.85	\$ 2,650.73
3 Current Quarter No. of Customers	190,258	70,855	105	17,831	856	91	12,226	365	502
4 Normalized Revenue (2x3)	\$ 18,177,473	\$ 6,212,085	\$ 10,463	\$ 1,925,716	\$ 124,459	\$ 2,305	\$ 5,645,951	\$ 1,358,733	\$ 3,994,655
5 Carryover from Prior Quarter(s) Excess Over Cap	\$ -	\$ 483,993	\$ -	\$ 237,309	\$ 16,778	\$ -	\$ -	\$ (46,457)	\$ -
6 Reconciliation of Prior Quarter BSA	\$ 22,340	\$ 63,536	\$ 37	\$ 17,906	\$ 1,236	\$ 12	\$ 30,956	\$ (13,470)	\$ (8,915)
7 BSA Adjustment (4-1+5+6)	\$ 4,244,112	\$ 441,000	\$ (83)	\$ 359,080	\$ 18,884	\$ 27	\$ 43,954	\$ (69,151)	\$ (316,928)
8 Budget Sales/Demand for 2nd succeeding quarter	438,387,665	244,656,074	354,477	37,406,094	7,060,531	210,712	280,030,126	137,519,680	682,849,785
9 Factor (\$/kwh or \$/KW) (7/8)	\$ 0.009681	\$ 0.001803	\$ (0.000233)	\$ 0.009599	\$ 0.002675	\$ 0.000126	\$ 0.000157	\$ (0.000503)	\$ (0.000464)
10 Factor Cap - 10% of Test Year Average Rate	\$ 0.003352	\$ 0.002506	\$ 0.002656	\$ 0.004758	\$ 0.001470	\$ 0.001470	\$ 0.001882	\$ 0.000697	\$ 0.000641
11 Excess Over Cap	\$ 0.006329	\$ -	\$ -	\$ 0.004841	\$ 0.001205	\$ -	\$ -	\$ -	\$ -
12 Amount Applied to Future Month	\$ 2,774,631	\$ -	\$ -	\$ 181,080	\$ 8,507	\$ -	\$ -	\$ -	\$ -
13 Net Factor	\$ 0.003352	\$ 0.001803	\$ (0.000233)	\$ 0.004758	\$ 0.001470	\$ 0.000126	\$ 0.000157	\$ (0.000503)	\$ (0.000464)
14 Revenue Conversion Factor	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302	1.00302
15 Adjusted Factor	\$ 0.003362	\$ 0.001808	\$ (0.000234)	\$ 0.004772	\$ 0.001475	\$ 0.000126	\$ 0.000157	\$ (0.000505)	\$ (0.000465)
Calculation of Reconciliation									
16 Actual BSA \$ for Current Quarter	\$ 201,058	\$ 571,823	\$ 336	\$ 161,156	\$ 11,122	\$ 108	\$ 278,605	\$ (121,227)	\$ (80,239)
17 Expected BSA \$ for Current Quarter from page 1, line 7	\$ 223,398	\$ 636,359	\$ 373	\$ 179,062	\$ 12,357	\$ 119	\$ 309,561	\$ (134,696)	\$ (89,154)
18 Difference (15 - 14)	\$ 22,340	\$ 63,536	\$ 37	\$ 17,906	\$ 1,236	\$ 12	\$ 30,956	\$ (13,470)	\$ (8,915)

Delmarva Power & Light Company - Delware Electric
Estimated Residential Bill Impact of BSA with DSM Programs
 Based on Actual Sales Data for 12 Months Ending October 31, 2006

Schedule BSA-2
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Delmarva Power & Light Company - Delaware Electric
Estimated Residential Bill Impact of BSA with DSM Programs
Based on Actual Sales Data for 12 Months Ending October 31, 2006

Current Customer Usage at Class Average					Customer Usage with Maximum DSM kWh Savings					Customer Bill Impact due to DSM kWh Savings							
Monthly					Monthly					Monthly							
Month	Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total (\$)	Month	Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total (\$)	BSA (\$)	Month	Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total w/o BSA (\$)	BSA (\$)	Total w/ BSA (\$)
January	883	\$27.92	\$99.60	\$127.52	January	858	\$27.33	\$97.02	\$124.35	\$ (1.27)	-25	(\$0.59)	(\$2.58)	(\$3.17)	\$ (1.27)	(\$4.44)	
February	792	\$25.80	\$90.22	\$116.02	February	770	\$25.29	\$87.96	\$113.25	\$ (1.14)	-22	(\$0.51)	(\$2.26)	(\$2.77)	\$ (1.14)	(\$3.91)	
March	762	\$25.10	\$87.13	\$112.23	March	741	\$24.61	\$84.97	\$109.58	\$ (1.10)	-21	(\$0.49)	(\$2.16)	(\$2.65)	\$ (1.10)	(\$3.75)	
April	652	\$22.54	\$75.80	\$98.34	April	634	\$22.12	\$73.94	\$96.06	\$ (1.70)	-18	(\$0.42)	(\$1.86)	(\$2.28)	\$ (1.70)	(\$0.59)	
May	592	\$21.14	\$69.61	\$90.75	May	575	\$20.75	\$67.86	\$88.61	\$ (1.54)	-17	(\$0.39)	(\$1.75)	(\$2.14)	\$ (1.54)	(\$0.60)	
June	775	\$25.40	\$84.07	\$109.47	June	753	\$24.89	\$81.69	\$106.58	\$ (2.02)	-22	(\$0.51)	(\$2.38)	(\$2.89)	\$ (2.02)	(\$0.87)	
July	1,130	\$33.67	\$122.58	\$156.25	July	1,088	\$32.82	\$119.11	\$152.03	\$ (0.39)	-32	(\$0.75)	(\$3.47)	(\$4.22)	\$ (0.39)	(\$3.83)	
August	1,285	\$37.28	\$139.40	\$176.68	August	1,249	\$36.44	\$135.50	\$171.94	\$ (0.44)	-36	(\$0.84)	(\$3.90)	(\$4.74)	\$ (0.44)	(\$4.30)	
September	953	\$29.55	\$103.38	\$132.93	September	926	\$28.92	\$100.46	\$129.38	\$ (0.33)	-27	(\$0.63)	(\$2.92)	(\$3.55)	\$ (0.33)	(\$3.22)	
October	644	\$22.35	\$74.97	\$97.32	October	626	\$21.93	\$73.12	\$95.05	\$ (2.10)	-18	(\$0.42)	(\$1.85)	(\$2.27)	\$ (2.10)	(\$0.17)	
November	658	\$22.68	\$76.41	\$99.09	November	639	\$22.24	\$74.45	\$96.69	\$ (2.15)	-19	(\$0.44)	(\$1.96)	(\$2.40)	\$ (2.15)	(\$0.25)	
December	785	\$25.64	\$89.50	\$115.14	December	763	\$25.12	\$87.23	\$112.35	\$ (2.57)	-22	(\$0.52)	(\$2.27)	(\$2.79)	\$ (2.57)	(\$0.22)	

Smart Stat		Monthly				Monthly				Monthly				Monthly			
	Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total (\$)		Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total (\$)	BSA (\$)		Usage (kWh)	Delivery (\$)	Supply+T (\$)	Total (\$)	BSA (\$)	Total w/BSA (\$)
January	883	\$27.92	\$99.60	\$127.52		841	\$26.94	\$95.27	\$122.21	(1.25)	-42	(\$0.98)	(\$4.33)	(\$5.31)	(1.25)	(\$6.56)	
February	792	\$25.80	\$90.22	\$116.02		754	\$24.91	\$86.30	\$111.21	(1.12)	-38	(\$0.89)	(\$3.92)	(\$4.81)	(1.12)	(\$5.93)	
March	762	\$25.10	\$87.13	\$112.23		726	\$24.26	\$83.41	\$107.67	(1.08)	-36	(\$0.84)	(\$3.72)	(\$4.56)	(1.08)	(\$5.64)	
April	652	\$22.54	\$75.80	\$98.34		621	\$21.82	\$72.60	\$94.42	1.66	-31	(\$0.72)	(\$3.20)	(\$3.92)	1.66	(\$2.26)	
May	592	\$21.14	\$69.61	\$90.75		564	\$20.49	\$66.72	\$87.21	1.51	-28	(\$0.65)	(\$2.89)	(\$3.54)	1.51	(\$2.03)	
June	775	\$25.40	\$84.07	\$109.47		738	\$24.54	\$80.06	\$104.60	1.98	-37	(\$0.86)	(\$4.01)	(\$4.87)	1.98	(\$2.89)	
July	1,130	\$33.67	\$122.58	\$156.25		1,076	\$32.41	\$116.73	\$149.14	0.38	-54	(\$1.26)	(\$5.85)	(\$7.11)	0.38	(\$6.73)	
August	1,285	\$37.28	\$139.40	\$176.68		1,224	\$35.86	\$132.78	\$168.64	0.43	-61	(\$1.42)	(\$6.62)	(\$8.04)	0.43	(\$7.61)	
September	953	\$29.55	\$103.38	\$132.93		908	\$28.50	\$98.51	\$127.01	0.32	-45	(\$1.05)	(\$4.87)	(\$5.92)	0.32	(\$5.60)	
October	644	\$22.35	\$74.97	\$97.32		613	\$21.63	\$71.77	\$93.40	2.06	-31	(\$0.72)	(\$3.20)	(\$3.92)	2.06	(\$1.86)	
November	658	\$22.68	\$76.41	\$99.09		627	\$21.96	\$73.22	\$95.18	2.11	-31	(\$0.72)	(\$3.19)	(\$3.91)	2.11	(\$1.80)	
December	785	\$25.64	\$89.50	\$115.14		748	\$24.77	\$85.69	\$110.46	2.51	-37	(\$0.87)	(\$3.81)	(\$4.68)	2.51	(\$2.17)	
																	(\$51.06)

Delmarva Power & Light Company - Delaware Electric
Estimated Residential Bill Impact of BSA with DSM Programs
 Based on Actual Sales Data for 12 Months Ending October 31, 2006

Schedule BSA-2
Page 3 of 3

B. DSM Surcharge

Delmarva requests the Commission establish a DSM electric distribution surcharge mechanism that would recover all DSM expenditures, other than smart thermostat related costs, over a five year period. Program costs would be allocated to each rate class eligible to participate in each implemented program. This surcharge mechanism would be similar to the DSM surcharge mechanism that existed in the 1990s for Delmarva in Maryland. Delmarva's annual carrying cost of any unrecovered expenditures would equal the Company's approved rate of return.

The surcharge amount would be established by an annual Delmarva DSM surcharge adjustment filing, subject to Commission approval, based upon the forecast level of expenditures for the next program year and any required "true-up" adjustments for over or under collections from the prior year. If Delmarva's recommended DSM programs were implemented, the estimated maximum monthly surcharge for residential customers would be \$0.001149 per kWh and \$0.000395 per kWh for non-residential customers.

C. AMI Adjustment Mechanism

The deployment of AMI technology may require the removal and disposition of existing meters that are not fully depreciated and may require replacement of, or significant modification to, existing meter reading, communications, and customer billing and information infrastructure. To encourage the implementation of this new technology, the Commission should adopt ratemaking policies that remove a utility's disincentive toward demand-side resources that reduce throughput, provide for timely cost recovery of prudently incurred AMI expenditures (including accelerated recovery of investment in existing metering infrastructure) in order to provide cash flow to help finance new AMI deployment, and provide depreciation lives for AMI that take into account the speed and nature of change in metering technology.¹⁵

Delmarva requests that a base rate electric and gas adjustment mechanism ("AMI Adjustment Mechanism") be adopted to recover the capital costs associated with the installation of smart thermostats and the AMI on a timely basis between base distribution rate cases. Specifically, the AMI Adjustment Mechanism would be set annually on the basis of total project expenditures during the previous 12 month period. Delmarva proposes to net any utility cost savings resulting from AMI deployment from the cost recovery sought each year. Similar to other utility investments, the amortization period would be identical to expected equipment life -- for these expenditures the recommended recovery period is 15 years, due the accelerating obsolescence rate of new technology.

Delmarva requests that the cost of retiring all existing meters and fully amortizing those costs be recovered through the AMI Adjustment Mechanism on an accelerated basis, not to exceed three to five years. Delmarva's annual cost of any unrecovered expenditures would equal

¹⁵ See NARUC Proposed Resolution supporting this approach.

the Company approved rate of return. The amount of the AMI Adjustment Mechanism would vary by customer class, reflecting any AMI or smart thermostat cost differences. If the Commission approves the AMI Adjustment Mechanism, the monthly bill impact on customers after full AMI deployment is estimated to be \$6.00 for each electric and gas customer. These costs will be offset by energy cost reductions, utility cost reductions and service quality improvements.

An alternative utility cost recovery approach could be obtained through electric base rate case filings; however, this mechanism has the significant disadvantage of delaying the timing of Delmarva's cost recovery for a significant capital cost project and having a potentially adverse impact upon the Company's cost of capital.

Delmarva Power & Light Company
Appendix, In the Matter of Delmarva's Blueprint for the Future Plan
Filed February 6, 2007

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**APPENDIX B,
DRAFT ORDER AND NOTICE**

BLUEPRINT FOR THE FUTURE PLAN

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF DELMARVA)
POWER & LIGHT COMPANY'S)
BLUEPRINT FOR THE FUTURE PLAN) PSC Docket No. ____
FOR DEMAND SIDE MANAGEMENT,)
ADVANCED METERING AND ENERGY)
EFFICIENCY (Opened Feb. __, 2007))

ORDER NO. ____

This ____ day of February, 2007, the Commission determines and
Orders the following:

1. The Commission opens this proceeding in response to the
"Blueprint For The Future Application and Plan" ("Blueprint for the
Future Plan"), a comprehensive demand-side management, advanced
metering and energy efficiency plan, submitted by Delmarva Power &
Light Company ("Delmarva") on February __, 2007;

2. The Commission now provides notice of Delmarva's filing of
the Blueprint for the Future Plan;

3. The Commission solicits comments on the content of the
Blueprint for the Future Plan.

4. The Commission will now also refer the filing to a
designated Hearing Examiner to superintend the proceedings necessary
or appropriate in order to develop a complete record. As part of
those procedures, the Hearing Examiner may wish to consider having
Delmarva conduct a "technical" workshop. After the necessary or

appropriate proceedings, the Hearing Examiner can then submit a report with his proposed findings and, if necessary, a recommended decision.

Now, therefore, **IT IS ORDERED:**

1. That this docket is now instituted in response to the Blueprint for the Future Plan filed by Delmarva Power & Light Company on February __, 2007.

2. That Delmarva Power & Light Company shall publish the form of notice attached hereto as "Exhibit A," in the following newspapers, in two-column format, outlined in black, on the designated dates:

The News Journal (March __, 2007)

Delaware State News (March __, 2007)

Delmarva Power & Light Company shall file proof of such publication on or before March __, 2007. The Secretary shall promptly also post (for thirty days) the attached form of notice on the Commission's Internet website under an appropriate heading;

3. That interested persons or entities may file and serve comments on the Blueprint for the Future Plan on or before April __, 2007. Delmarva Power & Light Company may file responding comments on or before April __, 2007. Such comments may be served and filed in writing (10 copies) or electronically by Internet e-mail, with a single written copy to be filed and serve thereafter.

4. That persons or entities may also file petitions to intervene under Rule 21 of the Commission's Rules of Practice and Procedure. Such petitions shall be filed on or before March __, 2007.

5. That, pursuant to 26 Del. C. § 502, Hearing Examiner _____ is designated as the Hearing Examiner for this matter. The Hearing Examiner shall supervise, or conduct, such proceedings in this matter as he deems necessary or appropriate to construct an adequate record. _____ is delegated the authority to grant or deny petitions to intervene. The Hearing Examiner is also delegated the authority to determine the manner and content of any public notice he thinks necessary or appropriate. At the conclusion of the proceedings, but not later than September 1, 2007, the Hearing Examiner shall submit a Report with his proposed findings and, if necessary, recommendations concerning what actions the Commission should take, if any, in response to the Utility of the Future filed by Delmarva Power & Light Company on February __, 2007.

6. That _____, Esquire, is appointed Rate Counsel in this matter.

7. That Delmarva Power & Light Company is notified that it will be assessed the costs of this proceeding under 26 Del. C. § 114(b).

8. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF DELMARVA)
POWER & LIGHT COMPANY'S)
BLUEPRINT FOR THE FUTURE PLAN) PSC Docket No. ____
FOR DEMAND SIDE MANAGEMENT,)
ADVANCED METERING AND ENERGY)
EFFICIENCY (Opened Feb. __, 2007))

ORDER NO. _____

NOTICE OF SUBMISSION OF THE
BLUEPRINT FOR THE FUTURE PLAN

BY DELMARVA POWER & LIGHT COMPANY
AND REQUEST FOR COMMENTS

On February __, 2007, Delmarva Power & Light Company ("DP&L") filed with the Public Service Commission ("the Commission") a comprehensive demand side management, advanced metering and energy efficiency plan entitled the "Utility of the Future Application and Plan" ("Blueprint for the Future Plan").

The Commission now solicits written comments about the Blueprint for the Future Plan submitted by Delmarva. If you wish to submit comments, you should review PSC Order No. 7____ (Feb. __, 2007). That Order is available on the Commission's Internet website at www.state.de.us/delpsc. Comments must be filed, and served, on or before March __, 2007 as follows:

Delmarva Power & Light Company
Appendix A, In the Matter of Delmarva's Blueprint for the Future Plan
Filed Feb. __, 2007

Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Attn: PSC Dckt. No. 07-__

karen.nickerson@state.de.us

Delmarva Power & Light Company
800 King Street
Post Office Box 231
Wilmington, DE 19899-0231

Attn: PSC Dckt. No. 7-20
Mail Stop 89KS42

acwilson@pepcoholdings.com

You must file 10 copies of written comments with the Commission and serve another copy by mail on Delmarva. As an alternative, you may file and serve your comments electronically as an attachment to an Internet e-mail, followed by the filing and service of a single paper copy with the Commission and Delmarva.

You may also ask to be allowed to intervene in the matter. To do so, you must file a petition to intervene under Rule 21 of the Commission's Rules of Practice and Procedure. That petition must be filed with the Commission on or before March __, 2007.

If you are disabled and need assistance to participate in this matter, contact the Commission to discuss arrangements for such assistance. You can contact the Commission directly or by telephone at (302) 739-4247 (including text telephone) or toll-free at 1-800-282-8574 (Delaware only). Questions or inquiries can also be made by Internet e-mail addressed to www.robert.howatt@state.de.us.